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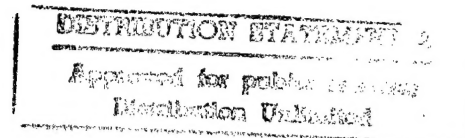
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30 APRIL 1986

# China Report

ECONOMIC AFFAIRS

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30 APRIL 1986

## CHINA REPORT

### ECONOMIC AFFAIRS

#### CONTENTS

##### NATIONAL POLICY AND ISSUES

Chinese Economic Situation in 1985 Reviewed (Sheng Zhaorong; CHING-CHI TAO-PAO, 1 Jan 86).....	1
---	---

##### ECONOMIC PLANNING

Xizang Leader Discusses Year's Economic Plans (Xizang Regional Service, 1 Apr 86).....	6
---	---

##### AGGREGATE ECONOMIC DATA

Jilin Communique on Economic, Social Development (JILIN RIBAO, 15 Mar 86).....	8
Paper Reports Hubei's 1985 Economic, Social Statistics (HUBEI RIBAO, 25 Feb 86).....	19
Shaanxi Township, Town Enterprise Revenues Gain (Chen Kang Lin; SHAANXI RIBAO, 18 Jan 86).....	28
Briefs Spending Outweighs Income in 1985	30

##### ECONOMIC MANAGEMENT

Hebei Township, Town Enterprises Discussed (Wang Fuyu; HEBEI RIBAO, 21 Jan 86).....	31
Major Tasks for Hebei's Supply, Marketing Cooperatives (HEBEI RIBAO, 25 Jan 86).....	34

## FINANCE AND BANKING

Role of Public Finance in Socialist Economy Explored (Xu Yi; CAI ZHENG YANJIU, 30 Sep 85).....	36
---	----

## MINERAL RESOURCES

Investment in Minerals Industry To Increase (Guo Zhongshi; CHINA DAILY, 7 Apr 86).....	66
Briefs	
Zhejiang Diatomite Deposits	68
Heilongjiang Gold Mining	68
Guangxi Ore Deposits	
Hebei Iron Mines	68

## INDUSTRY

Industrial Production Keeps Momentum Through First Quarter (XINHUA, 8 Apr 86).....	69
Open Policy Accelerates Auto Industry Production (XINHUA, 4 Apr 86).....	71
Civilian Aircraft Displayed in Beijing Exhibition (XINHUA, 10 Apr 86).....	72
Jiangxi Copper Production Base To Increase Output (XINHUA, 10 Apr 86).....	73
Briefs	
1985 Mining Statistics	74

## POPULATION

Xinjiang Ethnic Minorities More Self-Reliant (XINHUA, 9 Apr 86).....	75
Paper Runs Articles on Family Roles (XINHUA, 11 Apr 86).....	76
Shanghai Institute Helps Solve Sex Problems (XINHUA, 29 Mar 86).....	78
Family Planning Workers Urged To Study Psychology (XINHUA, 9 Apr 86).....	79
Briefs	
Sichuan Family Planning College	80
Beijing Family Planning Work	80



## TRANSPORTATION

Modernization of Chinese Civil Aviation Discussed (Xiao Yin; CHING-CHI TAO-PAO, 1 Jan 86).....	81
---	----

Briefs Shayuchong 5,000-Ton Wharf Completed	85
--	----

## CHINESE MEDIA ON FOREIGN ECONOMIC AFFAIRS

Changes in Ownership Forms, Management Methods in USSR (Lin Shuiyuan; SHIJIE JINGJI, 10 Oct 85).....	86
---	----

Changes in the Hungarian Wage Adjustment System (Li Jun; SHIJIE JINGJI WENHUI, 5 Dec 85).....	87
--	----

## NATIONAL POLICY AND ISSUES

### CHINESE ECONOMIC SITUATION IN 1985 REVIEWED

Hong Kong CHING-CHI TAO-PAO [ECONOMIC REPORTER] in Chinese No 1-2, 1 Jan 86  
pp 57-58

[Article by Sheng Zhaorong [4141 0340 2837]: "Review of the 1985 Chinese Economic Situation; The Chinese Economy in 1985: Overly Fast Industrial Growth Returned to Normal; Capital Construction Investment and Credit Funds and Consumption Funds Under Control; Restructuring of Agricultural Production; Standard of Living Continued to Rise"]

[Text] The year 1985 has passed; it was one of victory in the first cautiously executed campaign in the institutional reform of Chinese cities. In this year, the Chinese economy overcame a number of abnormal phenomena which sprang up in the last quarter of 1984, and made steady and continuous progress. The excessively fast growth rate of industrial production slowed down, and excessive expansion of capital construction investment and credit funds and consumption funds were brought under differing degrees of control; there was restructuring of rural production; markets were stable, and the standard of living continued to rise. The overall situation is good.

Industrial Production Followed the Path of Continued, Stable, and Balanced Growth

It is estimated that the 1985 gross value of industrial output [GVIO] may reach 820 billion yuan, 17 percent more than in 1984. By the end of November, 42 out of 100 principal products had completed the annual plan ahead of schedule. The characteristics of this year's industrial production are:

1. The excessively high rate of growth returned to normal. Starting at the beginning of the year, the growth rate in industrial production was fast and had powerful momentum; in the first half of the year the growth rate of the GVIO reached 23.1 percent. After taking various macroeconomic controls, starting in July the growth rate slowed down each month, falling to 8.8 percent in November; the trend was toward normality. In terms of the monthly production level, the monthly output values for each month in the second half of the year were all fairly steady at about 70 billion yuan.

2. Balanced growth of light and heavy industry. The accumulated output value from January until November was 374.7 billion yuan for light industry and 375.2 billion yuan for heavy industry; each had roughly half of the total. The ability of light industry and textiles to adapt to the market increased greatly; the household electric appliance industry became a major industry with an annual output value of 6 billion yuan, and the output of its major products grew from 50 percent to more than 100 percent over the same period of the previous year; the growth rates for woolen fabrics, silk and satin, dairy products, and beer were all above 20 percent; although the cosmetics industry got a late start, its growth was all the more vigorous. Production was steady in the raw materials industries within heavy industry. The annual output plans for pig iron, steel, and steel products were completed half a month ahead of schedule. Output of steel products, in great demand on the market, grew 17 percent, and plate glass 19 percent. High-speed growth in the machine industry slowed down, with the growth rate of total industrial output value within the Ministry of Machine-Building Industry system falling from 33.3 percent in the first half of the year to 24.8 percent for January through November; however, there was a more than 50-percent increase in products falling into the category of technical progress.

3. Good situation in energy production. Raw coal production fulfilled the year's national plan 17 days ahead of schedule; the year's coal output will top 800 million tons, again attaining a new stage. Petroleum production grew continuously and steadily, and the annual output once again exceeded 110 million tons. Electric energy production fulfilled the annual plan 9 days ahead of schedule, and it is predicted that it will top 400 billion kWh. Compared with 1984, total output of non-renewable energy grew more than 10 percent and electric energy production grew 8.5 percent. The prevalent shortage of energy was ameliorated to an extent.

4. Large and medium enterprises smoothly completed a thorough rectification. This converted isolated enterprises of a purely productive character into open, entrepreneurial ones, with strengthened ability to meet contingencies, engage in competition, and transform and develop themselves; there were the beginnings of definite vitality and improved economic results. These examples show that the situation is fine, regardless of whether we speak in terms of development trends or the mutual interaction of speed, proportion, and results.

#### Restructuring of Agricultural Production Has Taken a Major Step

In 1985, the second step in rural reform eliminated the 30-year old system of centralized and assigned purchases, replacing it with fixed-contract purchase, enabling peasants to start to change over from production according to the plan to arranging production according to the needs of the market; at the same time there was restructuring of rural production. In crop production, there was a reduction in the area planted in grain and cotton and fairly large increases in the area planted in other cash crops. Due to reduced acreage, natural disasters, and serious damage from disease and pests, the total grain output was lower than in 1984, but it is estimated that it will

still be higher than the bumper crop of 1982, thus becoming the third largest harvest in history. Although there were planned reductions in cotton output and although the estimated yield will have declined from last year's, it will still exceed the plan. There were large-scale increases in oil and sugar crops, flue-cured tobacco, jute, and bluish dogbane.

Animal husbandry, aquaculture, and forestry, which were quite weak in the past, showed upward momentum. It is estimated that the total output of pork and mutton may be more than 32 billion jin, approximately 7 percent higher than in 1984, and the number of large livestock on hand may be 110 million, a growth of 3 percent; there was even faster growth, almost 20 percent, in poultry and egg output. There were very vigorous growth trends in aquatic breeding: freshwater breeding more than doubled over last year.

This was the best year for reforestation since the founding of the country, both in terms of area and survival rate. The quality of agricultural products improved, and many areas took advantage of local conditions to develop a number of famous, special, high-quality, rare, and new varieties.

There was major growth of township and town enterprises; at present China has more than 6 million township and town enterprises, absorbing more than 60 million agricultural workers; tax money paid to financial departments increased by about 30 percent over last year, making the enterprises a pillar of the rural economy.

It is estimated that the gross value of agricultural output for the entire year will be about 10 percent more than in 1984.

#### Slow Down in the Excessive Expansion of the Scale of Investment, Many Major Projects Enter Production

In the first half of 1985, the scale of investment was too large in capital construction of publicly owned projects; it grew 43.5 percent over the same period in 1984, and in June it reached 56.6 percent; starting in the third quarter, control was exerted on excessively sudden growth; 75.5 billion was invested in all capital construction completed between January and November, 36.6 percent more than the same period in 1984. The pace of renewal and transformation of present enterprises also accelerated; there were fairly large increases in renewal and transformation investment, especially in machinery, electronics, and light industry and textiles.

Including everything from January until November, 23 large and medium projects were completely finished and entered into production, and 46 large and medium individual engineering projects were completed and entered into production. Currently, the entire route of the Beijing-Shaanxi multiple-track electrified railway is open to traffic, the Chang Jiang engineering project at Gezhouba is basically finished, and within the first half of next year the Chang Jiang electricity generators and locks will start to generate electricity and allow boat passage.

## Balanced Revenue and Expenditures, Money Circulation Beginning To Slow Down

Following production growth, revitalized enterprises, and improved economic results, the national revenue for the year will be about 20 percent more than in 1984; it will be possible to balance the budget, and end the deficit which has lasted 6 consecutive years. For bank credits, the policy of appropriate tightening of the money market was adopted, reducing the amount of money in circulation.

## Living Standards Continued To Rise, Markets Were Thriving

In 1985 the state carried out initial reform of the wage system and price system. Due to increased employment and higher wages and supplements, the per capita income for living expenses of residents of cities and small towns was 23.4 percent more than last year; after subtracting the rise in prices, the increase is 10 percent. Due to growth in production and a rise in prices for some agricultural products and byproducts, the net per capita income for peasants grew 12.7 percent, a growth of 9.5 percent after subtracting price factors. The savings of urban and rural residents were 158 billion yuan by the end of November, 30 percent more than at the beginning of the year.

Sales on the retail market were lively, but due to control of the excessive expansion of consumption funds, the excessive growth rate in the total amount of retail social commodities was slowed down; compared with last year, growth in the first quarter was 35.5 percent, 29.5 percent in the second quarter, and 25 percent in the third quarter. It is estimated that the total amount of retail social commodities for the year will exceed 430 billion yuan, more than 27 percent above the previous year, a growth of 17 percent after subtracting price factors; on the whole, this is equivalent to industrial and agricultural production.

In 1985, the economy went from being pulled too tightly to moderation, from overly high growth to normality. But there remain problems which we must not overlook; they require additional solutions. The main ones are:

(1) the scale of investment in fixed assets is still too large, making it the least stable element in economic growth; this affects the obtaining of investment results, and stimulates excessively fast growth in production and expansion of consumption demand.

(2) More price rises. As scheduled in the price system reforms, in 1985 the prices of some commodities were adjusted or decontrolled, but there was insufficient recognition of the role played by blindness and spontaneity in price movements, and so effective measures could not be taken in time; in addition, some traders and units took the opportunity to drive up prices and speculate in goods, which also contributed to the instability, causing the price of consumer goods, especially nonstaple foods, to rise each quarter. This affected the standard of living of urban and rural residents, especially some low-income families.

(3) Too many foreign funds were imported, producing a trade deficit, causing a drop in the national foreign exchange reserves, and harming the balance of the national economy.

#### Looking Forward to a New Year

The year 1986 is on its way. In this new year, the Chinese economy will have further balanced, stable growth. The planned growth in industrial production is 8 percent, but it now seems that it might be somewhat more. The main favorable conditions are: good conditions for production and supply of energy, especially coal; the production of principal raw materials has remained steady; there is already considerable importing of technology and technical transformation; a succession of many projects will be completed and go into production; and the vitality of large and medium enterprises will be increased. But we must be sure not to repeat the mistakes of rapid growth; we should concentrate on lowering consumption, raising quality, improving technology, and coming out with new products. With the premise that grain production be guaranteed, in agricultural production there will still be restructuring of production and the product mix to the best local advantage, bringing overall prosperity to the 800 million people in the countryside. The scale of investment in capital construction will stick to the 1985 level and not increase beyond it. There will not be further additions to the price reforms; the price of consumer items will basically be kept steady at the present level. Foreign trade and exports should be vigorously strengthened; further promoting the development of foreign economic exchanges is now a task of the utmost importance.

12919/9738

CSO: 4006/687

## ECONOMIC PLANNING

### XIZANG LEADER DISCUSSES YEAR'S ECONOMIC PLANS

HK020207 Lhasa Xizang Regional Service in Mandarin 1130 GMT 1 Apr 86

[Excerpts] Acting Regional Government Chairman Doje Cering stressed in his speech at the regional planning and financial work conference that doing a good job in arranging and firming up the plans for national economic and social development and the financial budget is of very great importance for the development of the entire economy and all undertakings this year. It is essential to uphold the following principles and factors:

1. We must uphold the principle of 1) eating and 2) construction. This means that construction must be carried out on the basis of making proper arrangements for the people's daily life, in other words, eating comes first, construction second.

Xizang is a poor and backward border minority-nationality area. No matter what we are doing, we must think of the three words minority, border, and poor. In arranging this year's economic work, we must also attach importance to the fact that some areas have been hit by natural disasters, and people's daily life there is facing very great difficulty. We must therefore regard the problem of feeding the masses as the primary problem to solve. Unless we consider things in this way, we will be facing social and political problems as well as economic problems.

2. We must act according to Comrade Hu Qili's instruction last year on calming down Xizang's capital construction next year, face reality, and act according to our ability. Our current greatest contradiction is shortage of capital. This is our reality. We must face this reality and ensure that our construction matches our capability. We have many things to do, and we really cannot get them all done at once. All we can do is to make all-round arrangements and focus on the key points.

In arranging projects we should give priority to productive over nonproductive projects. Among the production projects, we must give priority to backbone projects that lay the foundation for future economic development.

3. In arranging capital, we must take account of the structural reform factor. We must provide financial guarantees for the smooth progress of the region's structural reform. Structural reform is a major matter of strategic



significance for our region this year. It is directly related to the region's future development and invigoration, to eliminating poverty and enriching the people, and to building a united, well-off, and civilized new socialist Xizang.

As far as planning and finance are concerned, we have to take account of two issues: 1) Structural reform requires quite a large sum in capital. It is essential to leave a margin when arranging our work. 2) Before structural reform is completed, the regional departments, bureaus, and commissions, and the prefectures, cities, and counties must not start building offices and residential housing. Gradual arrangements should be made for necessary construction of this type according to the circumstances after structural reform is completed.

Doje Cering said that in order to accomplish this year's economic development plan. Overcome the current difficulties, and avoid chaos and upheaval, we must continue to strengthen centralization and unity in the aspects of macro-economy and finance, to ensure the coordinated development of the economy. Specifically, we must do the following work:

1. We must have centralization and unity in implementing the region's economic development principles and policies and the major measures without any wavering, second thoughts, or feigned compliance. Still less are people allowed to take no action at all on them.
2. The regional economic and planning commission must exercise overall control of the various channels for raising capital for capital construction, and achieve comprehensive balance. The scale of capital construction and the investment orientation in the prefectures and cities and the regional departments must be examined and approved by the regional economic and planning commission.
3. We must have centralization and unity regarding the financial revenue system and the major fiscal measures. All places, departments, and enterprises must strictly abide by the unified regulations.
4. Strictly implement the state price policy. The price policies and the units concerned are not allowed to exceed their jurisdiction by arbitrarily readjusting prices.
5. The prefectures and cities and the regional departments must strictly observe the systems of credit and cash control.
6. Strictly implement the regulations on issuing bonuses, step up supervision and inspection and absolutely curb random bonus payments.
7. Strengthen foreign trade and foreign exchange controls. In foreign trade, it is essential to strengthen internal coordination, present a united face to the outside world, and guard against internal wrangling. We must strictly observe the regulations on foreign exchange and on examination and approval for its use, and strictly ban the illegal circulation of foreign exchange.

/12712

CSO: 4006/904



AGGREGATE ECONOMIC DATA

JILIN COMMUNIQUE ON ECONOMIC, SOCIAL DEVELOPMENT

SK040717 Changchun JILIN RIBAO in Chinese 15 Mar 86 p 2

[Communique on Jilin provincial 1985 national economic and social development issued by the provincial statistical bureau on 14 March]

[Text] Under the leadership of the CPC Central Committee, the State Council, the provincial CPC Committee, and the provincial People's Government, in 1985 the people of various nationalities throughout the province scored new achievements in national economic and social development despite the serious natural disasters thanks to their arduous efforts to earnestly implement the guideline of "enforcing the policy of opening to the outside in order to enliven the domestic economy," to deeply conduct reforms in economic systems with the work emphasis on conducting urban reforms, and to uphold the principle of building socialist material and spiritual civilizations simultaneously. The total product of society reached 42.01 billion yuan, an 11.1-percent increase over the 1984 figure; and the national income reached 16.97 billion yuan, an 8.8-percent increase over the 1984 figure. (Footnote 1) (The figures in total product of society and in national income were calculated in line with the year's prices, and the rate of increase over the 1984 figures was calculated in line with the prices of comparable items.) The total output value of industry and agriculture was 30.2 billion yuan, a 9-percent increase over the 1984 figure.

(Footnote 2) (The total output value was calculated in line with the unchanged prices in 1980.) Sustained growth in production brought a brisk market; provincial revenues and expenditure were in balance; and the standard of people's living continued to improve. The province successfully fulfilled in an all-round way the major targets of national economic and social development covered by the Sixth 5-Year Plan, which has laid a solid foundation for fulfilling the Seventh 5-Year Plan.

1. Agriculture

In 1985 our province still reaped a good harvest in agricultural production despite the serious disasters such as flooding and waterlogging thanks to the effort exerted by the personnel from the party, government, and army organs and by the people in waging arduous struggles against the disasters, in rushing to deal with emergencies, and in conducting disaster relief, as well as thanks to the better climate in the later half. Annual total output value of agriculture was 8.68 billion yuan, down 3 percent from 1984. After

deducting the value scored with the incomes of industries run by the units at or below the village level, the agricultural output value was 7.38 billion yuan, down 8 percent from 1984. The gross grain output was 12.253 million tons, down 25 percent from 1984. However, it still was the year of the third highest yield since the founding of the PRC. Production structure readjustment achieved better results that brought forth an increase to the sowed acreage of rice and soybean and to the proportion of their output. Major cash crops, such as beet, hemp and flax, and castor bean, showed a greater increase in production and their output value showed a 10-percent increase over the 1984 figure. The province still showed an increase in providing raw materials for light industry despite the serious disaster in the year.

The output of major farm products is listed as follows:

	<u>1985</u>	<u>1985 versus 1984 percentage</u>
Grain	12.253 million tons	75
of which:		
Paddy	1.837 million tons	96.2
Corn	7.931 million tons	71.9
Gaoliang	568,000 tons	57.4
Soybean	904,000 tons	111.6
Oil-bearing seeds	484,000 tons	80.9
of which:		
Sunflower seeds	350,000 tons	65.1
Castor bean	105,000 tons	440
Hemp and flax	12,716 tons	128.6
Beetroot	877,000 tons	129
Flue-cured tobacco	15,413 tons	90.5
Man-planted ginseng	5,167 tons	123.9

The forestry policy was further implemented, thus bringing into play the enthusiasm of the people in planting trees. In 1985, the province planted 4.38 million mu of trees and showed an 1.7-percent increase in the forestry output value over the 1984 figure.

Animal husbandry production achieved a greater development in 1985. By the end of 1985, the province had 4.97 million head of hogs, up 20.6 percent from 1984; and 2.943 million head of draft animals, up 5.4 percent from 1984. Of these draft animals, cattle reached 1.633 million head, up 9.3 percent from 1984, and milk cows, 34,000 head, up 23.7 percent from 1984. It had 1.512 million head of sheep and goats, down 0.9 percent from 1984. Various animal by-products showed a faster increase.

The output of major animal by-products is listed as follows:

	<u>1985</u>	<u>1985 versus 1984 percentage</u>
Pork, Beef, Mutton	299,000 tons	114.1
of which:		
Pork	285,000 tons	112.8
Beef	11,000 tons	181.6
Mutton	3,000 tons	95.5
Milk	61,000 tons	137.5
Poultry and eggs	172,000 tons	109.2
Antler	33,275 kilograms	104.9
Sheep wool	5,137 tons	98.5

In 1985, the output value in animal husbandry was 1.26 billion yuan, a 36.2-percent increase over the previous year. The relatively weak situation in animal husbandry is being improved.

In 1985, the output of aquatic products was 30,000 tons, a 38.3-percent increase over the previous year.

The number of farm machines increased. At the end of 1985, the aggregate power capacity of the province's farm machines reached 6.476 million horsepower, a 5.2-percent increase over the end of 1984. The number of large and medium-sized tractors was 36,858, an increase of 5 percent over 1984; small-capacity and hand-guided tractors, 87,598, an increase of 29.6 percent; trucks, 8,399, an increase of 10.5 percent; and irrigation and drainage equipment, 977,000 horsepower, a drop of 3.9 percent. The total consumption of electricity in rural areas was 1.19 billion kwh, a drop of 4.1 percent.

## 2. Industry

In 1985, industrial production enterprises throughout the province persistently gave top priority to increasing economic results, correctly handled the relationship between growth rate and efficiency, and actively organized the production of the readily marketable products proceeding from reality. At the same time, our province carried out a series of reforms, fulfilled the enterprise consolidation task, strengthened and improved enterprise management, strengthened the vitality of enterprises, raised various economic and technical norms, and effected simultaneous increases in output value, tax and profits, and revenue. The total provincial output value in industry was 21.52 billion yuan, a 14.8-percent increase over the previous year. When added to the output value of rural industry run by villages and the units below the village level, the total figure would be 22.82 billion yuan, a 16.0-percent increase. The output of 58 of the 80 major industrial products met or topped the planned quotas; and 22 industrial products failed to meet their planned quotas. Of the 80 major industrial products, the output of 60 increased over the previous year, and the output of 20 decreased.

In 1985, light and heavy industries developed coordinatedly. The light industrial output value was 8.62 billion yuan, a 17.5-percent increase over

the previous year. The growth rate of light industry was faster than that of heavy industry. Considerable progress was made in the production of many light and textile products and durable consumer goods which were readily marketable.

The output of major light industrial products is as follows:

	<u>1985</u>	<u>1985 versus 1984 percentage</u>
Cloth	107 million meters	98.4
Chemical fabrics	20,000 tons	146.2
Machine-made paper and paper board	489,000 tons	111.5
Beer	188,000 tons	132.4
Cigarettes	316,000 cartons	121.0
Sugar	72,000 tons	86.1
Bicycles	451,000	152.1
Wristwatches	1.56 million	164.4
Television sets	242,000	170.8
Household washing machines	336,000	128.1
Furniture	2.539 million pieces	120.8

The 1985, heavy industrial output value was 12.9 billion yuan, a 13.0-percent increase over the previous year. The output of energy resources products and major raw and semi-finished materials increased steadily, and the output of major mechanical products increased at an even, fast speed.

The output of major heavy industrial products is as follows:

	<u>1985</u>	<u>1985 versus 1984 percentage</u>
Raw coal	23.118 million tons	108.2
Crude oil	2.13 million tons	111.3
Electricity	13.38 billion kwh	101.6
Rolled steel	433,000 tons	111.1
Ferro	200,000 tons	123.0
Timber	6.35 million cubic meters	100.2
Plate glass	1.323 million standard cases	112.7
Cement	2.956 million tons	115.1
Sulphuric acid	84,000 tons	76.8
Soda ash	18,000 tons	117.2
Caustic soda	62,000 tons	103.0
Synthetic ammonia	441,000 tons	88.0
Chemical fertilizer	255,000 tons	78.7
Calcium carbide	98,000 tons	97.5
Plastic resin and copolymer	30,000 tons	92.0
Mining equipment	17,841 tons	104.5
Metal cutting machine tools	2,096	110.8
Motor vehicles	97,674	113.0
Tractors	2,329	380.0
Hand-operated tractors	54,872	111.1
Locomotives	910	129.6

The year 1985 saw fairly great development in the industrial enterprises run by the whole people, the collectives, and the individuals. The output value of state-owned industrial enterprises was 16.46 billion yuan, an 11.7-percent increase over 1984; that of collective industrial enterprises 4.76 billion yuan, a 20.8-percent increase; and that of urban individual industrial enterprises grew by 350 percent.

In 1985, our province achieved marked progress in the development of new industrial products, and improved their quality. New products totaled 1,450, of which 231 were new in the country or reached advanced domestic levels, and 20 won the state's gold or silver awards, making 1985 a year with the greatest number of awards. The stable quality improvement rate of major products reached 93 percent.

Economic results of industrial enterprises showed marked improvement. In 1985, local budgetary industrial enterprises increased their output value by 10.9 percent over the previous year, their income from marketing by 19.9 percent, their taxes and profits by 21.7 percent, their profits turned over to higher authorities by 26.8 percent, and their taxes of sales of products by 14.1 percent. The taxes and profits they created from per 100 yuan of output value was 21.2 yuan, 1.9 yuan more than the previous year, and the turnover rate of circulating funds registered an increase of 7.1 percent. In 1985, the per-capita productivity of the state-owned industrial enterprises which enforced an independent accounting system was 11.879 yuan, up 7.1 percent from the previous year in terms of comparable standards.

### 3. Transportation, and Post and Telecommunications

In 1985, communications, transportation, and postal and telecommunications work were further strengthened; production conditions showed improvement; the state-assigned plans for railway and road freight transportation, and transactions of post and telecommunications were fulfilled in an all-round manner; and a substantial growth was achieved in both. The gross volume of goods transported by all means of transportation of all communications and transportation departments was 37.92 billion ton-km, up 8.7 percent from the previous year. Of this, the volume of railway freight was 36.68 billion ton-km, up 8.7 percent; that of road freight was 1.16 billion ton-km, up 5.9 percent; and that of inland waterway cargo was 80 billion ton-km, up 33.3 percent. The gross volume of passenger transportation was 14.64 billion person-km, an increase of 9.3 percent, of this, the volume of railway passenger transportation was 11.85 billion person-km, up 9.5 percent; and that of road passenger transportation was 2.79 billion person-km, up 8.6 percent.

In 1985, the total transactions of post and telecommunications were 88.86 million yuan, an 18.2-percent increase over the previous year. The number of letters handled went up 21.7 percent, newspapers and magazines distributed went up 20.2 percent, telegrams up 36.4 percent, and long-distance telephone calls up 22.3 percent. The year-end number of telephone subscribers in urban areas was 81,018, a 12.5-percent over that of the previous year.

#### 4. Investment in Fixed Assets

With the guidance of the state macroeconomic control, priority was given to the key capital construction projects, their construction speed was expedited, and the state-assigned capital construction plans were fulfilled. In 1985, investment in capital construction by state-owned units was 2.24 billion yuan, an increase of 790 million yuan, or 54.7 percent, over the previous year. Of the total investment, 1.75 billion yuan was covered by the plan, amounting to 95 percent of the annual plan. In the total investment in capital construction by the state-owned units, that in productive projects was 1.06 billion yuan, up 45.4 percent, and that in nonproductive projects 1.18 billion yuan, 64.1 percent. Of the investment in nonproductive project's, 650 million yuan went to residential housing, an increase of 91.8 percent.

New fixed assets of state-owned units totaled 1.47 billion yuan in 1985, a decline of 5.8 percent from the previous year. A total of 3.803 million square meters of housing was completed, registering a 26.8-percent increase over the previous year. A total of 65.5 percent of fixed assets was made available to the users, and 47.5 percent of the housing in construction was completed. Both showed a decline from the previous year. A total of 790 million yuan of budgetary investment was made in 18 large and medium-sized construction projects in the year. Four large and medium-sized projects were partly completed and put into operation: the Changbai forest area, the Jilin Oilfield, the Jilin power transmission and transforming project, and the Hongshi Hydropower Station.

Technical transformation was further intensified in 1985. Investment in projects involving renewal of equipment and other technical transformation measures by state-owned units totaled 1.57 billion yuan, an increase of 360 million yuan, or 29.2 percent, over the previous year. A total of 1,237 such projects were completed and went into operation in the year. They helped to increase fixed assets by 880 million yuan, up 28.9 percent from the previous year.

The annual added production capacity from capital construction, renewal of equipment, and other technical transformation measures consisted mainly of 54,000 kw of power generating capacity, 717 km of power transmission lines, 183,000 kilovolt-ampere of power transformer equipment, 100,000 cubic meters of timber, 231,000 tons of crude oil, 240,000 tons of coal, 110,000 tons of urea, 1,000 tons of meat, 24,000 tons of wine, and 37.5 km of highways. The newly added capacity gathered more momentum for the industrial production.

Further efforts were made in the reform of the administrative systems of the building industry and capital construction. Of the 3,704 projects undertaken by the state construction enterprises in 1985, 3,548 came under various forms of contract responsibility system. Of the 18 large and medium-sized capital construction projects which were under construction, 9 projects came under various forms of investment contract system. Reform helped raise economic efficiency. In 1985, the total output value created by state-owned building enterprises was 1.07 billion yuan, a 26.2-percent increase over the previous year; and the per-capita labor productivity increased by 15.3 percent.

In 1985, tunnelling footage completed by geological and mining departments totaled 120,000 meters, overfulfilling the planned figure by 3 percent. A total of 32 new mines were found across the province, and new progress was made at 16 mining areas. Newly verified reserves included 65.75 million tons of coal at Jiutai's Yangcaogou mine, 20.77 million tons of bentonite at Huaide's Liufangzi mine, and 1.7 million tons of wollastonite at Lishu's Dadingzi mine.

## 5. Domestic Trade

New headway was made in commercial structural reform, commodity circulation channels expanded, and urban and rural markets were brisk. The province's 1985 retail sales reached 12.41 billion yuan, an 18.6-percent increase over 1984 (8.1 percent if price increases are factored). Of this, retail sales of state-owned units came to 5.11 billion yuan, a 10.8-percent increase over 1984; that of collective units, 4.66 billion yuan, a 12.4-percent increase; and that of individuals, [words indistinct] yuan, a 64-percent increase. In addition, the retail sales by peasants to nonagricultural residents amounted to 990 million yuan, a 39.7-percent increase over the previous year. Sales of principal commodities by state-owned commercial units and supply and marketing cooperatives were as follows:

	<u>1985</u>	<u>1985 versus 1984 percentage</u>
Grain	4.087 million tons	114.5
Edible oils	108,000 tons	110.2
Sugar	103,000 tons	104.3
Cigarettes	340,000 boxes	123.1
Cotton cloth	114.839 million meters	83.4
Cotton-chemical fiber		
blended fabrics	31.24 million meters	68.3
Woolen piece goods	6.067 million meters	101.4
Silk and satins	11.396 million meters	104.8
Knitting wool	962,000 kg	117.2
Leather shoes	6.497 million pairs	106.3
Wristwatches	934,000	122.3
Bicycles	660,000	87.3
Television sets	519,000	135.3
Cassette tape recorders	186,000	310.0
Washing machines	283,000	122.0
Refrigerators	21,000	900.0
Sewing machines	162,000	86.3

After abolishing the fixed state purchases for agricultural sideline products and perishable commodities and allowing such commodities and products to be marketed freely, the urban and rural country fair trade became brisker. The total provincial transaction volume of urban and rural markets reached 1.36 billion yuan, a 46.8-percent increase over the previous year. Sales volume of vegetables increased by 13.7 percent; that of pork, beef, and mutton, 67.6 percent; that of fresh eggs, 56.7 percent; that of domestic poultry, 38 percent; and that of aquatic products, 61.7 percent.



Buying and selling of production means were brisk. In 1985 production means purchased by material departments increased by 36.6 percent over 1984, and those sold by material departments increased by 44.6 percent. Sales of major production means in 1985 rose over the previous year. Coal sales rose 31.7 percent; rolled steel, 10.8 percent; and cement, 4.4 percent. But sales of timber dropped by 1.9 percent.

An important step was made in the pricing reform, which promoted the development of commodity economy. But, the prices of some commodities rose considerably. The general price indices for state purchases of farm and sideline products rose an average of 6 percent over the previous year. The general retail price index rose 9.7 percent. Increase in urban areas was 11.1 percent and that in rural areas was 7.8 percent. The price of foodstuffs rose 14.4 percent; vegetables, 48.2 percent; meat, poultry, and eggs, 17.7 percent; aquatic products, 27.1 percent; and fresh fruits, 36.7 percent. Prices for garments, household appliances, and cultural and recreational goods somewhat rose. The cost of living index for workers and staff rose 10.3 percent.

## 6. Foreign Trade and Tourism

New progress was made in foreign trade. In 1985, the volume of exports and imports came to \$536 million, an increase of 57.9 percent over that of last year. The volume of exports reached \$426 million, an increase of 71 percent over that of last year. Of this, 2 million tons of corn were exported. The volume of imports totaled \$110 million (not including the volume imported through general companies and port agents), an increase of 22.2 percent over that of last year.

A new situation in conducting economic and technological cooperation with foreign countries was created. In 1985, the province established technological cooperation and trade relations with 32 foreign countries and regions, and reached agreements on 27 joint ventures and cooperative projects. The province also reached agreements on using \$24.54 million foreign capital, a 2.6-fold increase over that of last year. In 1985, the province used \$4.88 million foreign capital, a 1.3-fold increase over that of last year. Contracts for foreign projects and labor service totaled \$9.27 million, an 11.3 percent increase over that of last year.

Tourist trade continuously developed in 1985, a total of 20,231 people came to our province to sightsee, visit relatives, and conduct various activities, an increase of 61.6 percent over that of last year. Of this, 7,933 were foreigners, an increase of 92.5 percent over that of last year; and 12,298 were Overseas Chinese and compatriots from Hong Kong and Macao, an increase of 46.5 percent over that of last year. Foreign exchange earned through tourism was \$1.65 million, an increase of 35.5 percent.

## 7. Science, Education, and Culture

New advances were made in scientific and technological reform, the ranks of scientific and technological workers were increasingly expanded, and new achievements were made in scientific research. In 1985, the number of



scientific and technological persons working in state-owned units reached 379,000 persons, an increase of 15,000 persons over that of last year. Of this, 189,000 were natural science professionals and technicians, 5,200 more than in 1984. A total of 374 scientific research results were assessed. A total of 96 scientific research results were awarded, 6 of which reached the major technological targets of the international level and 49 of which reached the national advanced level.

Through reforming the educational system, the educational development was further promoted. In 1985, regular higher education institutions enrolled 21,500 students, an increase of 5,300 students over that of last year. The enrollment in these schools was 59,500, showing an increase of 8,400 students. A total of 12,900 students graduated from these schools, an increase of 2,300 students. These schools enrolled 1,861 postgraduates in 1985, 996 more than last year. These schools had a total postgraduate student body of 3,330, an increase of 1,256 students over last year. The enrollment in various categories of adult higher education institutions reached 74,800, showing an increase of 10,400 students over that of last year.

Through readjustment, the secondary educational structure is becoming rationalized. In 1985, the enrollment in regular high schools reached 218,000, 24,500 more than in 1984; that in regular middle schools reached 1,168,900, a drop of 56,300 from last year; that in secondary specialized schools reached 141,800, 27,300 more than last year; and that in technical schools reached 30,500.

In 1985, the enrollment in primary schools was 2,998,100. A total of 97.7 percent of the province's school-age children attended schools. A total of 343,300 children attended kindergarten, 27,200 more than that of last year. The enrollment in the schools for the blind, deaf, and mute reached 3,634, an increase of 184 over last year.

Cultural, press, radio, movie, and television progress made great contributions to the socialist spiritual civilization. In 1985, the Changchun film studio produced 21 feature films, 3 films more than the planned figure; and dubbed 10 feature films. The province produced eight telefilms. The film distribution units released 165 new films (full-length films). The province had 5,928 film projection units, 99 performing art troupes, 1,105 cultural centers (stations), 54 libraries, and 14 museums. The province had 9 radio stations, 30 radio transmitting and relay stations, 9 television stations, and 36 television transmitting and relaying stations, each with a capacity of more than 1,000 watts. The radio coverage rate reached 17.5 percent and the television coverage rate was 65.5 percent. The province had 41 kinds of newspapers. Some 449 million copies of newspapers, 73.23 million copies of various kinds of magazines, and 201 million books and picture books were published in 1985.

#### 8. Public Health and Sports

Medical and public health conditions continued to improve throughout the province. The number of hospital beds reached 71,000 by the end of 1985, an increase of 2 percent over the end of last year. There were 105,000

specialized health workers, up 1.8 percent over the end of the previous year. The total included 40,000 doctors, an increase of 2 percent, and 21,000 senior nurses and nurses, up 4.6 percent.

Sports made further headway. In 1985, the province as a whole held 1,852 sports meets at and above the district and city (county) levels with the participation of some 714,000 athletes, joined 25 events at 134 national contests and won 147 gold medals. Two persons broke 2 records of the Asian Games on 3 occasions, and 5 persons broke 9 national records on 10 occasions. Ten gold medals, 15 silver medals, and 15 bronze medals were won at international competitions. Mass sports activities were more extensively carried out. About 1.834 million persons in the province met the requirements prescribed by the "State Standards for Physical Culture and Sports Training." Six new sports facilities were built.

#### 9. The Standard of People's Living

Living standards in both the cities and the countryside improved in 1985, and the income of staff and workers increased. Jobs were given to 187,000 job-seekers in cities and towns. The province as a whole had 4.495 million staff members and workers by the end of 1985, up 182,000 persons as compared with the end of the previous year. The total annual wages of workers and staff (including meat price subsidies for staff and workers) totalled 4.7 billion yuan, up 20.7 percent over the previous year. The average wage for workers and staff members was 1,081 yuan, up 16.7 percent over the previous year. If the cost of living increase is factored in, the actual increase in workers' wages stood at 5.8 percent. A sample survey on the family income and expenditures of residents living in cities and towns shows that their average per-capita income for living expenses reached 564.9 yuan in 1985, and the average per-capita income of the urban residents reached 671.8 yuan, an increase of 15.8 percent over the previous year. If the rise in the price index in the cost of living of the staff and workers is excluded, the actual increase was 3.5 percent.

The incomes of peasants declined because of natural disasters in the rural areas. According to a sample survey among the families of rural residents, in 1985, the average per-capita net income of peasants was 413.7 yuan, a decline of 9.4 percent from the previous year, and the average per-capita living expenses were 364.1 yuan, up 8.4 percent over the previous year.

By the end of 1985, individual bank savings had amounted to 4.4 billion yuan, up 28.4 percent more than the 1984 year-end figure. The increased savings deposits had played a part in supporting state construction.

Housing conditions for both the urban and rural dwellers were improved. In 1985, the state-run and collective-run enterprises in cities and towns built a total of 2.92 million square meters of new houses. The average per-capita living space for the urban residents at the end of the year reached 4.5 square meters, up 0.2 square meters over the previous year. Peasants built a total of 9.95 million square meters of new houses.

Social welfare undertakings continued to develop. Rural collective economic units provided for 68,000 widowed, elderly, disabled, and orphaned people who had nobody else to support them, of whom, 23,000 were housed by the homes for the aged, and 45,000 were housed by other units. There were 17 social welfare establishments in cities and towns, providing for 4,000 persons. Jobs were provided for 1,800 blind, deaf, dumb, and disabled job-seekers during the year.

#### 10. Population

By the end of 1985, the province had 22.98 million people, an increase of 135,000 as compared with the end of the previous year.

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## AGGREGATE ECONOMIC DATA

### PAPER REPORTS HUBEI'S 1985 ECONOMIC, SOCIAL STATISTICS

HK200002 Wuhan HUBEI RIBAO in Chinese 25 Feb 86 p 2

["Communique of the Hubei Provincial Statistical Bureau on Fulfillment of the Province's 1985 Economic and Social Development Plan, Issued in February 1986"]

[Text] In 1985, under the leadership of the provincial CPC Committee and the provincial government, the people of the whole province earnestly implemented the principles of invigorating the domestic economy and opening the country to the outside world, carried out the reform of the economic structure, with the stress on the urban economic structure, and made remarkable progress in national economic and social development. The total product of society came to 76 billion yuan, 14.8 percent higher than in 1984. Of the sum, the total output value of industry and agriculture accounted for 62.15 billion yuan, 15.9 percent above the previous year. National income reached 33.8 billion yuan, up 16.2 percent from 1984. The major national economic targets contained in the Sixth 5-Year Plan were all victoriously fulfilled. Along with the growth of production, the urban and rural markets were brisk and living standards continued to rise. According to a rough estimate, the GNP was 39.4 billion yuan, up 14.7 percent from the previous year.

The major problems in national economic development were: That gross social demand continued to exceed gross supply, excessive investment in fixed assets, the poor quality of the enterprises, that the quality and variety of their products failed to meet the requirements of society, that the growth of the supply of social commodities failed to keep pace with the growth of social purchasing power, and substantial price hikes.

#### I. Agriculture

In 1985, the province's rural areas took a major step toward the reform of state monopoly for purchase of farm products and the readjustment of their production setup, with the result that the rural economy comprehensively developed. Last year, the rural areas' gross product was 30.3 billion yuan, 19.1 percent higher than in the previous year. Of the sum, 36.6 percent was accounted for by the industry, building industry, transportation and telecommunications service, and commerce in the rural areas. In 1984, they accounted for only 33.5 percent.

The township and town enterprises developed rather significantly. Last year, their total output value was 11.1 billion yuan, a 52.5 percent increase over the previous year.

Last year, the gross agricultural output value (including the output value of the industrial enterprises run by the villages) was 19.77 billion yuan. The growth rate was higher than the planned growth rate of 6.8 percent. The output value of forestry, animal husbandry, sideline production, and fishery accounted for 41.9 percent, compared with 36.1 percent in the previous year, of this sum. Excluding the output value produced by the industrial enterprises run by the villages, the gross agricultural output value was 16.24 billion yuan, a 6.2 percent increase over the previous year.

Various crops were rather significantly redistributed. Despite frequent natural calamities and the decrease in the area of land devoted to grain production, grain output still reached 22.15 million tons. The output of all the major industrial crops except cotton, whose output decreased as a result of the decrease in the amount of land devoted to the growing of cotton, increased significantly.

The output of the major farm products was as follows:

	<u>1985</u>	<u>Percentage increase over 1984</u>
Grain	22,150,000 tons	-2.1
Cotton	492,200 tons	-18.8
Oil-bearing seeds	729,900 tons	31.9
Rapeseed	441,300 tons	19.8
Peanuts	135,300 tons	54.1
Sesame	178,100 tons	48.8
Hemp, flax, jute, and so on	313,500 tons	130.0
Jute and bluish dogbane	289,600 tons	140.0
Sugar-bearing crops	396,400 tons	1,110.0
Silkworm cocoons	4,980 tons	-26.2
Tea	22,700 tons	3.7
Tobacco	96,900 tons	54.7

In 1985, by making further efforts to implement the forestry policies, the province aroused the people's enthusiasm for planting trees and building forests. The province afforested 328,000 hectares of land, 2.7 percent more than in the previous year. The output of raw lacquer increased by 10.2 percent and that of tea-oil tree seeds by 4.7 percent. The output of other major forestry products also increased at varying rates.

Animal husbandry developed. The output of pork, beef, and mutton increased rather rapidly and the number of hogs in stock at year end also increased. All the targets were overfulfilled.

Output of major animal by-products and numbers of livestock were as follows:

		Percentage increase over 1984
Output of pork, beef, and mutton	978,100 tons	32.4
Pork	967,000 tons	32.7
Hogs slaughtered	13,937,900 head	17.0
Hogs in stock at year end	19,200,700 head	8.9
Sheep and goats at year end	1,205,300 head	-7.2

The production of aquatic products developed steadily and rapidly. In 1985, the province's output of aquatic products was 370,000 tons, a 29.6 percent increase over the previous year.

In 1985, both the number of farm machines owned by the province and power consumption in its rural areas increased. At the end of last year, the aggregate power capacity of the province's farm machines reached 12.394 million horsepower, 16.0 percent increase over the previous year. On average, there were farm machines with a total aggregate power capacity of 3.45 horsepower for each hectare of farmland, an increase of 9.5 percent over the previous year. A total of 917,000 tons of chemical fertilizers were applied during the year, and the average amount of chemical fertilizer applied in each hectare of farmland was 256.5 kilograms, a 4.6 percent increase over the previous year. The total consumption of electricity in the rural areas was 1.68 billion kilowatt-hours, a 10.5 percent increase over the previous year.

## II. Industry

In 1985, stimulated by the reform of the economic structure, industrial production continued to develop. The enterprises were further invigorated, the output of marketable products increased enormously, and economic results improved. Last year, the gross industrial output value was 42.38 billion yuan, up 17.9 percent from the previous year. The output of 57 of the 72 products covered by the plans topped the plans. They included refined crude, pig iron, steel products, cigarettes, calcium carbide, chemical fertilizer, and plate glass. All the major targets in the Sixth 5-Year Plan were fulfilled.

In 1985, the province's light industry continued to develop and produce marketable products. [words indistinct] totaled 20.2 billion yuan, 17.1 percent higher than that in the previous year. The output value of the province's electronics industry increased by 29.8 percent and that derived from its production of daily necessities and metal products increased by 51.6 percent.

The output of major light industrial products was as follows:

	<u>1985</u>	<u>Percentage increase over 1984</u>
Cotton yarn	301,400 tons	19.6
Cotton cloth	1,129,000,000 meters	10.9
Woollen fabrics	4,670,000 meters	39.4
Knitting wool	5,189 tons	-1.9
Silk fabrics	57,740,000 meters	46.3
Sacks	63,470,000	37.5
Vacuum flasks	10,376,000	8.0
Cigarettes	1,716,700 cases	8.8
Matches	1,686,600 boxes	11.5
Machine-made paper and paper board	346,100 tons	22.3
Beer	159,200 tons	44.9
Salt	791,100 tons	-2.9
Detergents	72,400 tons	34.6
Bicycles	1,151,700	31.3
Sewing machines	170,100	84.7
Wrist-watches	900,200	37.1
Television sets	341,600	87.4
Cassette recorders	470,800	60.4
Household washing machines	355,500	48.8
Household refrigerators	73,300	150.0

In 1985, heavy industry continued to grow at a rather high rate and it scored success in developing energy-saving products and in developing and popularizing new technology. Its output value last year was 22.18 billion yuan, an 18.7 percent increase over the previous year. The output value derived from the production of chemicals for daily use increased by 33.3 percent and that derived from the production of cement and cement products increased by 33.4 percent.

The output of major heavy industrial products was as follows:

	<u>1985</u>	<u>Percentage increase over 1984</u>
Coal	8,849,800 tons	19.8
Crude oil	1,024,100 tons	1.0
Amount of crude refined	4,415,700 tons	1.1
Electricity	22,054,000,000 kwh	11.7
Hydroelectricity	14,744,000,000 kwh	3.4
Pig iron	4,445,400 tons	16.8
Steel	5,150,900 tons	13.4
Steel products	4,653,200 tons	14.7
Cement	7,360,300 tons	16.9

[Table continued on following page]

Sulphuric acid	499,200 tons	3.9
Soda ash	138,100 tons	18.6
Caustic soda	75,800 tons	4.2
Synthetic ammonia	992,700 tons	0.4
Chemical fertilizers	879,300 tons	-0.5
Chemical insecticides	15,100 tons	-9.2
Plastics	118,000 tons	-3.8
Metal-cutting machine tools	10,100	46.3
Motor vehicles	89,600	13.3
Tractors	4,750	9.8

Industrial economic results improved. In 1985, per capita productivity for state-owned industrial enterprises designated to undertake independent accounting was equivalent to 17,570 yuan, a 10.6 percent increase over the previous year. The output value produced by budgeted local industrial enterprises was 17.58 billion yuan, a 12.3 percent increase over the previous year, their sales income was 16.98 billion yuan, up 17.1 percent from 1984, and their turnover in the forms of profit and taxes was 3.82 billion yuan, a 22.4 percent increase over the previous year. Their profit rate on funds went up by 3.3 percent.

### III. Transportation, Posts and Telecommunications

In 1985, by carrying out reforms and tapping their own potentials, the province's transport departments steadily added to their transportation capacity. The total volume of goods transported was 48.8 billion ton-kilometers, up 0.25 percent from 1984, and the volume of passenger travel was 17.617 billion person-kilometers, up 11.4 percent from 1984.

Both the mileage of roads opened to traffic and the number of means of transportation also increased.

Posts and telecommunications developed rather significantly. In 1985, posts and telecommunications transactions amounted to 120 million yuan, a 16.7 percent increase over the previous years. The number of letters handled went up 20.3 percent, newspapers and magazines distributed went up 8.8 percent, telegrams went up 23.0 percent, and long-distance telephone calls went up 10.8 percent.

### IV. Investment in Fixed Assets and the Building Industry

In 1985, the province's investment in fixed assets grew rapidly, further efforts were devoted to revamping and transforming existing enterprises, and headway was made in the reform of the management system. Last year, the province's investment in fixed assets totaled 10.31 billion yuan, a 38.4 percent increase over the previous year. Of this sum, 6.099 billion yuan was invested by state-owned enterprises, 34.8 percent more than in the previous year, and 1.71 billion yuan was invested by collectively owned units, 56.0 percent more than in the previous year.



Of the total amount of investment in fixed assets by state-owned enterprises, 4.07 billion yuan was investment in capital construction, 44.4 percent more than in the previous year. Investment in the planned capital construction projects reached 1.11 billion yuan, 93.9 percent of the planned figure.

In 1985, investment in energy industry and raw materials industry increased. Investment in energy industry totaled 950 million yuan, a 21.8 percent increase over the previous year, and investment in raw materials industry went up 18.4 percent.

Of the projects financed with the state-owned units' investment in fixed assets, 4,894 were either completed or partially completed and 58.6 percent of them went into operation. The value of the newly-added fixed assets was 4.02 billion yuan, a 31.4 percent increase over the previous year, and 68.6 percent of them went into operation. Some badly needed projects were completed quite satisfactorily.

The following production capacities were added to the state-owned units:

Iron ore	100,000 tons
Synthetic ammonia	46,000 tons
Machine-made paper	11,000 tons
Spindles	11,400 tons
Cement	539,000 tons
Chemical Fertilizer	37,000 tons
Beer	77,000 tons

In 1985, headway was made in the reform of the building industry. Of the 4,030 construction projects undertaken by the province's local state-owned construction units, 3,492, or 86.6 percent, were undertaken under various systems of contracted responsibilities. Of the total area of buildings constructed, 5.89 million square meters, or 88.2 percent, were constructed on a contract basis. In 1985, the output value of state-owned construction enterprises was 1.01 billion yuan, a 45.0 percent increase over the previous year, and their per capita productivity was 15.6 percent higher than in the previous year.

#### V. Domestic Trade

In 1985, the reform of the commercial system developed in an in-depth manner and business was brisk on the urban and rural markets. The total value of retail sales was 20.58 billion yuan, a 28.7 percent increase, or a 19.1 percent increase if price increases are factored out, over the previous year. Of this, 16.39 billion yuan was the value of the retail sales of consumer goods, 28.7 percent higher than that in the previous year. The supply of most commodities was quite plentiful. However, the supply of some quality goods and famous brand products fell short of the demand for them.

The volume of retail sales of the majority of the province's major commodities was as follows:

	<u>1985</u>	<u>Percentage increase over 1984</u>
Grain	5,184,300 tons	14.1
Edible vegetable oil	176,800 tons	1.5
Hogs [as published]	362,700 tons	-9.9
Eggs	77,900 tons	12.7
Cotton cloth	240,360,000 meters	23.7
Synthetic fabrics	144,830,000 meters	-16.6
Sewing machines	423,300	10.2
Bicycles	1,159,900	3.6
Wrist-watches	2,574,200	20.2
Television sets	621,100	52.9
Household washing machines	278,500	122.4
Household refrigerators	63,400	350.0

In 1985, by readjusting the prices of some commodities and by lifting the restrictions on them, the province gave impetus to the development of its commodity economy and business was brisk on the urban and rural markets. However, there were quite big price increases. The general index for retail prices in the province as a whole went up 7.5 percent, that for the retail prices in the cities went up 10.6 percent, and that for the retail prices in the rural areas went up 5.2 percent. The prices of vegetables, meat, domestic fowls, eggs, aquatic products, fresh fruits, newspaper, and magazines went up rather significantly and the prices of other commodities also went up somewhat. The workers' cost of living index was 8.4 percent higher than in the previous year. The prices of consumer goods went up 13.6 percent and the charges for various services went up 8.9 percent.

#### VI. Foreign Trade and Tourism

In 1985, the province's foreign trade developed rather rapidly and the total volume of its foreign trade was \$530 million, a 14.6 percent increase over the previous year. The economic results from foreign trade and export improved notably.

Tourism continued to develop. Last year, the number of tourists received by the province and participating in the visits and exchanges organized by the provinces was 118,000, 140 percent more than in the previous year. Last year, the income derived from tourism totaled \$9.46 million, 130 percent more than in the previous year.

#### VII. Science, Education, and Culture

In 1985, scientific and technological work developed. The number of major scientific and technological achievements considered by the province to be up to provincial standards was 136, 9.7 percent more than in the previous year.

The province's discovery of the light-sensitive nucleus paddy is a major breakthrough in paddy cultivation. Last year, it also scored remarkable success in its study of the production of aquatic products and in its research into sex changes in fish. Fresh progress was made in the social sciences.

Thanks to the structural reform of education, the province's educational service steadily developed. In 1985, both the number of new students enrolled by the province's graduate schools, universities, colleges, and special secondary schools and their current enrollments were much greater than those in the previous year. A total of 3,170 new postgraduate students were enrolled, 1,674 more than in 1984. The number of currently enrolled postgraduate students was 5,844, 1,978 more than in the previous year. The institutions of higher learning enrolled 41,400 new students, 10,800 more than in 1984, and their current enrollments totaled 111,100. Ordinary secondary and primary schools also developed rather significantly. The agricultural (vocational) schools had 14,000 students more than in the previous year. Adult education in the province also developed rather rapidly.

Cultural undertakings, the press, radio, and television contributed much to the socialist spiritual civilization. In 1985, 3 feature films were produced and 178 films of all sorts were distributed. The province had 9,479 film projection units, 118 performing art troupes, 99 public libraries, 203 cultural centers, 10 radio stations, 20 television transmitting and relay stations, and 7 television stations. Last year, 9.296 million copies of magazines and 242.39 million books were published.

#### VIII. Public Health and Sports

Public health work was strengthened in 1985. The number of hospital beds reached 116,000 by the end of the year, a 2.4 percent increase over the previous year. There were 1,649 more professional health workers than in the previous year and fresh progress was made in the public health and medical work in rural areas.

In 1985, sports made further headway, with sportsmen, sportswomen, and athletes from the province winning 88 gold medals in major national and international competitions, an all-time high in the history of the province. Mass sports activities became increasingly popular last year.

#### IX. People's Livelihood

In 1985, thanks to the development of production and the state's tentative reform of the wage system, the income of the urban and rural populations increased in varying degrees. A sample survey of urban and rural households showed an annual per capita net income of 421.24 yuan for the peasants, a 7.4 percent increase over the previous year, and, for households of urban workers and staff members, a per capita income of 712.32 yuan which could be used for living expenses, a 21.2 percent increase, or an 11.8 percent increase if price increases are factored out, over the previous year.

In 1985, the cities and towns in the province provided jobs for 170,000. By the end of the year, there were 6,104,000 workers and staff members in the province, 251,500 more than in the previous year, and the number of individual laborers in the cities and towns was 240,000, 78,000, or 48.3 percent, more than in the previous year.

In 1985, the earnings of the province's workers and staff members totaled 5.937 billion yuan, a 16.7 percent increase over the previous year. The average annual cash wage for workers and staff members was 1,059 yuan, a 13.9 percent increase over the previous year. Allowing for the rise in living cost, the increase was 5.0 percent.

The increase in the income of the urban and rural populations led to an increase in the expensive and moderately expensive durable goods owned by the urban and rural households. Urban and rural savings deposits continued to grow. By the end of the year, individual bank savings had amounted to 5.937 billion yuan, an increase of 33.8 percent or 1.5 billion yuan over the previous year. Urban bank savings went up 42.6 percent and rural bank savings went up 17.3 percent.

#### X. Population

By the end of 1985, the province had a population of 49.31 million. According to a sample survey of 23,214 people in 15 cities (prefectures) and counties, the natural growth rate was 12.3 per thousand.

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AGGREGATE ECONOMIC DATA

SHAANXI TOWNSHIP, TOWN ENTERPRISE REVENUES GAIN

Xian SHAANXI RIBAO in Chinese 18 Jan 86 p 1

[Article by Chen Kang Lin [7115 1660 3829]: "Shaanxi Township and Town Enterprises Scale New Heights; Gross Revenue Reached 3.7 Billion Yuan Last Year for an Increase of More Than 47 Percent over Year Before; Revenue for 12 Counties, Cities Surpasses 100 Million Yuan; Revenue for 47 Counties, Cities Doubles Compared to Year Before"]

[Text] Gross revenue for township and town enterprises in Shaanxi Province last year was 3.71 billion yuan, a 47.97 percent increase over the 2.51 billion yuan of the year before. Twelve counties and prefectures including Chang'an, Weiyang, Huxian, Baqiao, and Baoji garnered revenues of over 100 million yuan, while revenue in 17 counties and prefectures including Weinan and Yanliang doubled. These encouraging figures show that rural and township enterprises in the province have scaled new heights in the economic reform.

The sustained development of Shaanxi's township and town enterprises began during last year's tight money market. Early last year during the funding shortage, all areas provincewide conscientiously subordinated themselves to the state's macroeconomic control, energetically stimulated the microeconomy, appropriately reduced capital construction, made full use of local advantages, devised a multiplicity of fund-raising methods to resolve the construction funding problem of more than 3,000 half-finished projects and enabled township and town enterprises to develop steadily. Last year township and town enterprises in the province amassed a total of 340,900,000 yuan in funds, bringing in 117 million yuan.

While stimulating funding, all areas placed the issues of quality, management, technology, and increasing economic returns in an important place on the agenda. In last year's provincewide contest of name and quality products, the provincial township and town enterprise bureau selected for awards four superior products for the province and one for the department. The bureau also introduced 6 new products and 23 high-quality products. The medium-size imitation Tang Dynasty three-color porcelain horse manufactured by Xi'an's Daminggong Arts and Crafts Workshop, the cotton and silk paintings produced by the Lintong Tourist Souvenir Co. and the porcelain figure depicting Yang Guifei emerging from her bath made by the Qianxian County Antique Liuli Tile Workshop, all rated as superior products, have entered the international market.

Township and town enterprise management departments throughout the province also are emphasizing personnel development and training. Last year township and town enterprises provincewide entered into technological coordination projects with universities, technical schools and large and medium-sized enterprises and accelerated the enhancement of the level of management and technical quality.

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AGGREGATE ECONOMIC DATA

BRIEFS

SPENDING OUTWEIGHS INCOME IN 1985--A sample survey by the State Statistical Bureau shows that in 1985 the average per-capita income of Beijing residents available for living expenses was 908 yuan; while the average per-capita spendings on daily necessities reached 923 yuan. A comrade of the State Statistical Bureau said that the situation of spendings outweighing income resulted mainly from the fact that in 1985, Beijing people's spendings on purchasing electrical home appliances increased to an extent unknown in any previous years and any other big cities. The survey shows: In 1984, the numbers of color television sets and electric refrigerators per 100 families were 8 and 15, respectively; the figures for 1985 were 32 and 42, respectively. [Text] [Beijing City Service in Mandarin 1000 GMT 19 Mar 86 SK] /12712

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## ECONOMIC MANAGEMENT

### HEBEI TOWNSHIP, TOWN ENTERPRISES DISCUSSED

Shijiazhuang HEBEI RIBAO in Chinese 21 Jan 86 p 2

[Article by Wang Fuyu [3769 8099 3867]: "Money Must Be Spent on the Essentials To Develop Township and Town Enterprise"]

[Text] With the stimulation of the spirit of the instructions of the CPC Central Committee regarding rural reform, encouraging developments continue to emerge in Hebei's township and town enterprises. By 1985, there were already more than 1.08 million such enterprises throughout the province. From January to November the enterprises garnered more than 14.8 billion yuan in total revenue, for a 42.4-percent increase over the same period the year before. Of this figure, total revenue at the township and town levels was 6.64 billion yuan. A total of 4.48 billion yuan in profit was realized, for an increase of 22.6 percent compared to the same period the year before. How to appropriately use and spend this profit and funding of township and town enterprises is a problem that should be studied by the vast cadres and masses of the counties, townships, and towns.

Some counties and prefectures in Hebei have taken some quite appropriate measures regarding the utilization of township and town enterprise profit that have had a positive effect on promoting the development of commodity production and increasing economic returns. However some township and town enterprises and more well-off villages lose their heads as soon as they get a little extra money, not utilizing funds they should or could utilize and madly spending money better left unused. This is a problem that must be heeded. Some villages wish to make everything free for the peasants once they get a little money, such as water, electricity, forest building, nursery stock, chemical fertilizers, pesticides, animal vaccinations, doctor visits, medicine, school tuition, subsidies for cadres, birth control, retirement, and so on. The collective sometimes even takes care of agricultural taxes, day-care center entrance fees, weddings, and funerals. Of course, it is assumed that the collective should spend a little money on necessary public welfare measures, but it cannot take care of everything. Making the peasants spend a little money for some things can sometimes increase their sense of responsibility and feeling for the collective. In terms of benefits, it may be better to have the masses pay at times.



Second, in some places, as soon as they get a little money, they try to initiate large-scale construction projects without regard to the presence or absence of local natural resources and market needs.

Third, is the emergence of conspicuous consumption. When commodity production develops a bit in some counties, townships and towns, and people have a little more money, they begin to go in for ostentation and wasteful extravagance. Some township governments have used funds retained from township and town enterprises to construct government office buildings, purchase automobiles, fancy furniture and electric fans, or to organize many field trips and tours in the spring and summer, and so on. A few rural cadres even use their power to make money for themselves. Some will hold huge banquets and give gifts on any pretext, unconcerned about the terrible waste involved. Some indiscriminately issue bonuses and presents or find all sorts of excuses to get something for themselves. Others will find seemingly legal reasons to borrow money and put off returning it, which is, in reality, corruption. Some use money to build up a network of "friends" for their own personal convenience and even profit.

Of course, there are many reasons for this in relation to production, but the primary one is that some grassroots cadres lack the ability to engage in financial management. Some township and town enterprises have no strict system of regulations concerning fund management.

Therefore, the following problems regarding the proper utilization of funds by enterprises and the yearend distribution of profit should be resolved:

1. Improve the cadres' ability to engage in financial management. Various measures should be taken at all levels to create all types of training classes and management seminars in order to improve the ability of township and town enterprise and village leadership cadres to manage and utilize funds well. Constant attention should be given to correcting confused ideologies and thinking and giving the cadres an understanding of the importance of understanding, creating, caring about, managing, and using money.

2. Create and perfect village financial systems. The villages must create a system of rules and regulations based on their actual situations. Enterprise profit must, first of all, be used for the enterprise's own expanded reproduction, technological improvement, new product development, and the importation of advanced technology. They must calculate carefully, budget strictly, limit expenditures, and concentrate a certain amount of financial resources on new projects that need little investment and can bring in good economic returns rapidly. Secondly, funding should be used on collective public welfare measures needed by the villages and to support and supplement agriculture, for example: resolving problems related to rural water supply, irrigation, roads, electricity, building old-age homes, child-care centers, schools, etc. Each county, township and town should make scientific preparations based on rules and regulations from higher levels and its own actual financial resources and possibilities of using them.

3. Inspection of rural expenditures and summarizing and exchange of experiences. In recent years, money has been spent both rationally and irrationally. Leadership of all levels must promptly inspect and supervise the utilization of funds and results gained in order to ensure the rational spending of money. Timely summarizations, exchanges, and popularizations of advanced experiences regarding money well spent for good, rapid returns should be made. The necessary guidance and assistance must be given to those who do not know how to spend money appropriately. Those who seriously violate financial discipline for personal profit should be dealt with severely.

Along with the healthy development of township and town enterprise, remarkable increases have been seen in Hebei's rural revenues, but we must be well aware of the fact that in many areas the peasants have only just reached the stage of getting enough to eat, and that in some older, border mountainous regions the problem of obtaining sufficient food, and clothing has not yet been resolved. Economic development in the province is uneven and greater development is necessary. Therefore each enterprise must be aware of both long-term and short-term benefits. As the best steel is used to make the blade, so should money be spent on the essentials in order to ensure the healthy development of township and town enterprise and stimulate the rural economy.

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## ECONOMIC MANAGEMENT

### MAJOR TASKS FOR HEBEI'S SUPPLY, MARKETING COOPERATIVES

Shijiazhuang HEBEI RIBAO in Chinese 25 Jan 86 p 1

[Article: "Adhere to the Reform, Make Efforts in Providing Service, Seeking Integration, Opening up, Enlivening; Primary Tasks, Guiding Ideology for the Work of Hebei's Supply and Marketing Cooperative System This Year Set"]

[Text] The guiding ideology and major tasks of Hebei's supply and marketing cooperative system set by the second plenum of the Hebei Province Supply and Marketing Cooperative Committee are: Adhere to giving first priority to the reform, attaching equal importance to both material and spiritual civilizations and stressing service, integration, opening up, and enlivening. Continue to shift the focus of work of the supply and marketing cooperatives to providing services for rural commodity production and getting on the right track in perfecting the cooperative system. Work hard to function as a good vehicle for the transformation of the rural economy, implement the "six developments" throughout the cooperative system nationwide, constantly improve and strengthen the cooperatives, increase enterprise economic returns, and improve the results of social services.

The following must be focused on to realize the above tasks:

Improve Serialized, Integrated Services and Promote the Development of a Rural Commodity Economy. Based on the focus of economic work in the province this year, the following four services must be singled out: 1. Serve the readjustment of the agricultural industrial structure, make great efforts to supply chemical fertilizer, pesticides, and other means of production.

2. Develop services to mountainous, coastal, and flatland regions. Supply and marketing cooperatives in these areas must, on the foundation of investigation and surveys, devise specific plans and measures to support the development of the local economy.

3. Serve the development of township and town enterprises.

4. Serve the perfection of the agricultural cooperative system.

Select Different Methods of Purchase and Sales, Develop Horizontal Linkups, Further Enliven Commodity Circulation. Do business in whatever the peasants need, in light of the situation in which peasants find it hard to buy or sell anything, and shift the focus of work to the purchase and sales of agricultural byproducts, at the same time, expanding the scope of business regarding capital goods, continuing to improve business in subsistence goods, and turning the supply and marketing cooperative into an integrated enterprise that combines both purchase and sales of retail and wholesale goods taking agricultural byproducts as the focus. We must greatly reform methods of purchase and sales, and put an end to the traditional "buy in, sell out" business method, implement on a large-scale various forms of association, agent systems for buying and selling, and economic contract systems, organize direct contact between purchasing and selling ends, reduce the number of middle links, pass on the benefits to the peasants, and form integrated wholes with the peasants sharing in the same economic interests. We must energetically develop horizontal relationships, and on the foundation of integrating agriculture with commerce and cooperatives, and inner integration within the cooperative, develop diversified, multicomponent, multilevel horizontal economic contacts that go beyond county, prefectural and provincial boundaries. At the same time, we must further improve our foreign work and expand international economic and technical exchange.

Further Stimulate the Grassroots Cooperatives so That They Can Form a Cooperative Commercial Alliance with the Masses of Peasants. Stop setting up grassroots cooperatives according to administrative boundaries and decentralizing local cooperatives to be under the direction of township governments, and begin to set up cooperatives based on economic zone boundaries. At the same time, we must continue to experiment with village cooperatives, consolidate and reform dual commission shops, expand purchasing and selling agency services, and build double-function shops into integrated service posts. The key to the reform of county supply and marketing cooperatives lies in the word "linkup," efforts to serve the grassroots cooperatives, and making better use of its role in linking up, serving, coordinating, and guiding. We must strive to develop all forms of basic county cooperative business, raise funds together to create business service facilities and further improve and expand the integrated purchase and unitary sales of industrial products and the unitary purchase and integrated sales of agricultural byproducts. We must assist the grassroots cooperatives to expand business and increase returns.

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FINANCE AND BANKING

ROLE OF PUBLIC FINANCE IN SOCIALIST ECONOMY EXPLORED

Beijing CAI ZHENG YANJIU [FINANCE RESEARCH] in Chinese No 5, 30 Sep 85 pp 1-17

[Article by Xu Yi [6079 3015]: "On Building a Comprehensively Coordinated and Balanced Macrosystem of Public Finance"]

[Text] Since the 3d Plenum of the 11th CPC Central Committee, the Central Committee has taken a series of actions for comprehensive readjustment of the national economy and has carried out a planned, step-by-step reform of the economic system. It has pursued a policy of enlivening the domestic economy and of opening to the outside world to bring about a very fine situation of sustained national economic development. Growth of industrial and agricultural production and of the national economy has accelerated year by year, and the standard of living has improved steadily. As a result of this impetus, the state of public finance has become better and better every year since 1982, and proportional relationships between agriculture and industry, and between light and heavy industry have gradually become increasingly coordinated. Practice has shown our program for economic readjustment and reform of the economic system to have been correct. It has been a tremendous force that has advanced development of China's social productivity. Despite the loss of a certain amount of control during the last half of 1984; some of the problem has been surmounted and other parts of it are in process of solution thanks to the prompt actions taken by the Central Committee and the State Council. We have full confidence in the fulfillment ahead of schedule of the Sixth 5-Year Plan, of smooth entry into the period of the Seventh 5-Year Plan, of good performance in economic reform, of rationalizing economic relationships, and of laying a good foundation in the 1980's for vigorous economic development during the 1990's and realizing the magnificent goals set for the year 2000.

Readjustment of the economy and reform of the economic system constitute a process of self-improvement of the socialist system. The economic system is the standard for dealing with diverse economic relationships and it provides the rules for the building of an economic order. During the current stage in which the old system is being supplanted by the new, the new order and the new rules for economic life that we have built cannot suddenly emerge fully developed and complete in every way. Furthermore, there is the effect of the force of old habits on society in consequence of which a certain loss of control has taken place in the macroeconomy. This is also difficult to avoid

entirely. These are precisely the new circumstances and new problems that the CPC Central Committee has repeatedly emphasized and called upon us to watch and study. Our comrades who do theoretical work and practical work have diligently investigated and studied the new circumstances and new problems that have taken place in economic life, and they have summarized experiences. They have affirmed and continued practical and effective policy actions that have been tested in practice as a basis for seeking out inadequacies (imperfections), for studying actions for improvement, for making suggestions, and for providing leaders with data to which they can refer in making policy decisions. This is the only way in which we can make the contribution we should make to the development of Chinese socialist financial and economic theory and make the building of socialism in China more rapidly take a new road that is consistent with the country's circumstances. To fail to speak out when one knows something or to make irresponsible remarks indiscriminately is to violate the principles of party spirit, and thus they are wrong. I have followed this spirit in taking up some problems currently existing in economic life, giving my views on the problem of how to build, enliven, and open up to the outside world to the extent consistent with coordinated balance in the macroeconomic system. I invite all to criticize and correct places where errors are found.

## I

The current economic situation is truly very good; nevertheless, at the same time one can see the existence of some problems in the development of the country's economy that cannot be ignored. In addition to the continued severe shortages of energy, transportation, and raw and processed materials, and the still insufficiently rational mix of some industries and products, during the last half of 1984, and particularly during the fourth quarter, too much currency was put into circulation, credit increased too suddenly, the scale of investment in fixed assets tended to be too large, growth of consumption funds was too rapid, foreign exchange reserves declined, and the financial deficit exceeded plan. Both the Central Committee and the State Council have been quick to sense these problems and in February 1985, a conference of provincial governors and mayors from throughout the country was convened to plan and take a series of actions. Comrade Zhao Ziyang warned us: "When adopting any fairly severe reform measures, careful consideration must be given to the various reactions that may be aroused, and appropriate regulations and methods have to be worked out to assure the healthy implementation of reforms. This is a very important lesson." He also pointed out: "It is difficult to avoid some problems in the process of reform; solutions can be found and improvements made constantly on through reform. Some of the problems are the result of our not having considered sufficiently beforehand or not having conducted a sufficiently rigorous examination afterward. This should serve as a warning." We should use this guiding policy from the premier in the earnest study of problems that occur in reform of the economic system, for constantly deepening our understanding, for exploring methods for improvement and for providing scientific data and plans for reference to policymakers at a higher level.

A. One of the Conspicuous Problems in China's Economy at the Present Time Is the Blind Pursuit of and Scrambling for Speed of Growth. This Is One Important Reason for the Serious Short Supply of Energy, Transportation, Raw and Processed Materials and for the Loss of a Certain Amount of Control.

In the process of opening to the outside world and enlivening the domestic economy, all sectors, regions, and enterprises have proceeded on the basis of their own particular situations with plans for quadrupling, sextupling, or octupling, with the result that problems have arisen in carrying out capital construction, in projects vieing with each other, and in contests of speed. This has resulted in supplies from the basis energy, transportation, and raw and processed materials sectors, which were in short supply to begin with, to be in even shorter supply. Solution to this problem requires both the pooling of funds to hasten development of the energy, transportation, and raw and processed materials sectors, and a determined halt to the tendency toward blind action and scrambling for speed, keeping the speed of growth at a suitable level, thereby providing a relatively well-off economic environment for carrying out the current reform of the entire economic system.

One of the reasons for the blind pursuit and scrambling for speed has been our continued lack of a deep understanding of the body of socialist economic laws. Frequently, in our enthusiasm to do a good job, we fail to adhere consciously to objective laws, and this leads to damage to coordination in the national economy system. Second is the country's lack of an overall optimum plan for the national economy and a corresponding set of control methods. As a result, sectors, areas, and enterprises lack rational bounds for self-control and a basis for consciously subordinating themselves to the overall interest. Scholars in some countries have attributed this to the "inherent" "starvation for investment" of socialist countries. China also has some comrades who believe that this is caused by the socialist system of public ownership, and thus they advocate learning from Western countries relying entirely on market mechanisms for automatic regulation of the economy. These two formulations are the same in essence; they both repudiate the planned commodity economy of socialist countries based on public ownership, and they deny that socialist countries are able to have control laws and apply these laws to realize self-control. These formulations are wrong, first of all, because blind pursuit and scrambling for speed have no inevitable relationship to the socialist system of public ownership. Second, they confuse the spontaneous market-control mechanism under the functioning of the economic laws of capitalism with the planned, conscious application of the market mechanism under the functioning of socialist economic laws. They suppose that simple mechanical application of the methods of capitalism can play a miraculous role in the socialist economy. This is really nothing more than an illusion.

It is generally realized that energy, transportation, and raw and processed materials are the basic industrial sectors of the national economy. To a very large extent, speed of development of these sectors determines speed of development of the national economy. A look at the actual situation in China shows that during the 26-year period from 1957 through 1983, China's energy consumption and industrial output value had a coefficient of 0.89, i.e.,



for each 1-percent growth in industrial output value, energy consumption increased 0.89 percent. The coefficient of energy consumption to industrial and agricultural output value was 0.96. The coefficient of energy consumption to the gross social product was 1.0. The coefficient of energy to national income was 1.2. During the same period, the relationship between the communications and transportation industry and the output value of industry and agriculture was as follows: Given an annual average 8-percent increase in the GVIAO, and an average annual 7.7-percent growth in the gross social product, the volume of turnover of freight hauled averaged an annual 8.2-percent speed of growth; volume of passenger turnover averaged a 7.3-percent speed of growth. This shows that the speed of growth of the communications and transportation industry was generally faster than either growth of the GVIAO and the gross social product. Even though these proportional relationships may change as the structure of industry is readjusted; nevertheless, given a particular industrial structure, objective proportional relationships are fixed. Within the speed attainable by basic industries, in the intermediate and long run, we must strive to make the maximum value of national income reach the speed of growth of individual industrial sectors. This speed is the objective limit of optimum growth of all sectors. A speed that surpasses this limit must be regarded as an unreasonable overly high speed. This is because it can both lead to shortages in supply to basic sectors and can cause the value of national income to be lower than the maximum value during the intermediate and long run. This has already been fully attested to be the results of computer calculations using macroeconomic models.

To attain and maintain optimum growth requires all around planning of the national economy and arrangements that take all factors into account. Investment has to be figured in terms of the optimum speed of growth of all sectors, and then the allocation of financial resources must be set on the basis of the distribution of resources and overall state plans for each region's economic development. Each sector, each region, and each enterprise will have to open to the outside world and enliven the economy within the constraints of the overall national plan, and make comprehensive and rational use of resources. In so doing, in terms of the situation as a whole, certain sectors, regions, and enterprises may be somewhat limited for a certain period of time, their production not being able to expand full tilt and their economic benefits not being able to reach their maximum. Nevertheless, by assuring that overall economic results in the national economy reach the optimum, and by attaining normality in supply of basic industrial sectors, they can assure that enterprises will have enduring vitality.

B. The Excessive Amount of Currency Put into Circulation During the Last Half of 1984 Meant Essentially that Both Consumption and Accumulations Went Out of Control and There Was Excess Distribution of National Income.

In 1984, issuance of currency was 1.9-fold greater than in 1984. The reasons for this were as follows: (1) Wages and bonuses increased 22.3 percent over 1984, exceeding the 12-percent speed of growth of national income and the 14.2-percent speed of growth of the GVIAO, and also exceeding the 13.9-percent speed of growth of light industry products, thereby creating a shortage in the supply of consumer goods and a rise in prices. (2) In 1984, investment in



fixed assets was 20.8 billion yuan greater than in 1983, an increase of 21.8 percent. Most of this was investment of self-provided funds and bank loans. (3) Rural loans (township and town enterprises, specialized household and priority household loans, for the most part) increased 13.5 billion yuan, a 58.6-percent increase over 1983. Investment in fixed assets and rural loans were mostly for the purchase of the means of production; however, the speed of their increase greatly exceeded the 14.2-percent growth in the output value of heavy industry, the 9.2-percent increase in the output value of steel and the 11.8-percent increase in the output value of cement. This resulted in supply being unable to meet demand for the means of production and a rise in prices. The foregoing several examples reflect the loss of control in both consumption and accumulation, with the total of consumption and accumulation being greater than the total amount of national income disposable for distribution.

The reasons giving rise to these problems were a psychology of being anxious to succeed under new circumstances, exceeding the capabilities of national strength, and blind seeking after high consumption and high accumulation. Such high-speed growth that outstripped national strength had to lead inevitably to an increase in the amount of currency in circulation and too great a distribution of national income, with the result that total social demand exceeded total supply. This caused both price instability and a very great decline in benefits gained from investment in fixed assets, and unless controlled in time it might lead to a new proportional imbalance in the national economy.

We know that when productivity is at a certain level, a certain structure will come into being in the national economic structure. As productivity expands, the individual components in the system progress at a certain speed, and the structure of the system may also gradually change. Rational control over the distribution of national income is precisely for the purpose of making the economic system development in a coordinated structure. Any irrational or excessive distributions can create tumult in the structure of the system and great rises and falls in the speed of development. Forecasting based on macroeconomic models shows that given China's level of productivity and population increase, achievement of the goal of quadrupling the GVIAO by the year 2000 will require an average 7.2-percent per year speed of growth over the next 15 years in the GVIAO, and an average 6.2-percent per year growth in national income. At the present 31- to 36-percent rate of accumulation, accumulation funds will have to increase at an average 6.9 percent annually. If this speed of growth is exceeded, consumption will be adversely affected, proportional coordination damaged, and the speed of development of the economy will ultimately be hurt. But in order to maintain this speed, the annual average increase in consumption funds must be held at around 5.8 percent. The policy simulation experiments that we conducted using the model showed that unless objective limits on structural proportions are watched, simply requiring high-speed growth of individual consumption funds and per capita earning will bring about a year-by-year decline in accumulation funds and an overly low accumulation rate. In that case, production will be unable to rise as it should be satisfy demand, and the goals of quadrupling GVIAO value and attaining a well-off standard of living will also be impaired.

C. Despite an Increase of More Than 20 Billion Yuan in Financial Earnings in 1983, the Deficit Still Increased 2 Billion Yuan, and This Deficit Was Another Factor Adversely Affecting Overall Balance in the National Economy.

The national deficits of recent years may be characterized as follows: The central government budget showed a deficit while local budgets showed a surplus. Items within the budget showed a deficit while unbudgeted items showed a surplus. The reasons were that in the course of reform of the financial management system, though the central government delegated authority to correct the centralized collection situation, expand local financial resources, and strengthen the vitality of enterprises, it did not correspondingly break down the situation of centralized payment of expenses. This was manifested principally in the following ways: The central government treasury continued to be responsible for payment of various kinds of subsidies (such as purchase-price subsidies for agricultural products); it continued to bear responsibility for most of the increased financial expenditures and did not make payment of unbudgeted funds. It did not remove items that should be paid from nonbudgeted funds and place them outside the budget. A look at the fiscal management system shows that mostly it did not fit in with reform of the economic management system and the establishment of a level-by-level independent budget. It did not reform the method of total responsibility for management of expenditures. It did not effectively manage nonbudgeted funds, and it did not bring social funds into unified balance through the planning of overall financial credit, but rather it used economic levers to carry out associated direct and indirect control over primary distribution and further distributions of national income.

In short, most of the foregoing problems resulted from our continued lack of work experience. Reform of China's economic system constitutes a tremendous revolution. Conversion from a highly centralized form to a fully lively and vibrant new form in which macrocontrols and microenlivening are organically linked will have to go through a process of replacement, adaptation, and perfection. Economic reforms that have been made throughout the world provide no readymade forms that can be emulated nor do they provide any complete body of experiences that can be followed. All we can do is "feel for the rocks to cross the river," moving ahead, exploring, and summarizing.

The excess distribution during the last half of 1984, of which the overly large issuance of currency was the principal mark, and the huge financial deficit of 1979 admittedly caused imbalance in overall supply and demand; however, these two situations differed in nature and characteristics. In 1979, the problem was brought about in the process of conscious readjustment of the proportion of accumulation relative to consumption and the proportion of agriculture, light industry, and heavy industry, plus handling of the pent up livelihood needs inherited from the 10 years of turmoil. The 1984 problems, however, resulted from not being sufficiently clearheaded in a fine situation and were caused by a loss of control in several regards. However, it differed from the situation of the past that came from above. This time the problems came mostly from all quarters blindly scrambling for speed of growth, which was spontaneous and universal to a certain extent. Thus, this further highlights the macrocoordinated balanced system commensurate with enlivening

and opening to the outside world and the necessity for and urgency of the strengthening of macrocontrols.

## II

The definite loss of control that took place during the last half of 1984 was related to the disjointedness of certain policy actions as the old system was being replaced by the new. It was also related to problems in theoretical perceptions of relevant economic reforms. In recent years, economists have proposed quite a few beneficial concepts for the economic system that have given definite impetus to progress in reform. Nevertheless, discussions have also been marked by problems of insufficient clarity about some theoretical disputes. Examples are the mixing together of a socialist planned commodity economy and a capitalist commodity economy and the one-sided emphasis on the role of the laws of value. To a certain extent, the views abet the spontaneous tendencies in economic life. This shows that when we study the occurrence of a certain loss of control in 1984, it is necessary to analyze carefully and to understand its theoretical and ideational roots.

### A. Correctly Understanding That a Socialist Economy Is a Planned Commodity Economy Founded on Public Ownership.

One basis characteristic of a socialist economy is its planned economy. But this does not rule out a socialist economy being simultaneously a commodity economy. This is because the opposite of a commodity economy is a natural economy and not a planned economy. The "Decisions" of the 3d Plenum of the 12th CPC Central Committee pointed out: "Full development of a commodity economy is a stage of socioeconomic development that cannot be skipped; it is a major condition for the modernization of China's economy. Only with full development of the commodity economy will the genuine enlivening of the economy be possible, will impetus be given to increased efficiency in all enterprises, will business made flexible, and will a flexible adaptation to complex and constantly changing social requirements come about. Moreover, this is something that reliance on administrative fiat alone and planning of a command nature cannot do." Practice with economic reform has shown that a planned economy and a commodity economy can be unified within a socialist economy. It has been possible in practice to find the forms and the points at which they can be linked. Nevertheless, a socialist planned commodity economy based on public ownership is neither the same as a small-scale commodity economy nor the same as a capitalist commodity economy. The differences are manifested primarily in the following two regards.

First, a socialist commodity economy is founded on public ownership. The production relationships embodied in it are relationships of mutual cooperation, equality, and mutual benefit among socialist laborers; it no longer embodies the relationship of the exploiter and the exploited of a system that hires labor. Certainly, in China's actual economic life there still exists a commodity economy that is state capitalist in nature and a commodity economy of individual entrepreneurs. Nevertheless, they are simply

supplements to the socialist planned commodity economy that is founded on public ownership. The production and business of the capitalists and individual entrepreneurs engaged in such commodity dealings must be regulated and supervised by the socialist state. The dominant nature of China's socialist production relationships determines that the size of the commodity economy will be held to definite limits. As the "Decisions" pointed out: "Under the socialist conditions obtaining in China, the work force is not a commodity, and neither are all the state-owned enterprises and resources, such as land, mines, banks, railroads, etc." In China, workers are the masters of socialist commodity production and dealings; they are no longer chattels and capitalist slaves. Land, mines, and such resources are exploited and used under centralized management and control of the state. They cannot be bought and sold freely. The banking and railroad sector and all enterprises in the country must subordinate themselves to centralized state planning. With this as a premise and in accordance with the principles of a commodity economy (i.e., the principle of exchange at equal value,) relatively independent businesses operated by individuals may be conducted. All commodity economic activities under socialism must adhere to the principles of a commodity economy, it is true, and the laws of value must be consciously applied to regulate supply and demand, with full consideration being given to differences in benefits for all concerned; however, since public ownership of the means of production determines that people's fundamental interests are identical, consequently, it is necessary to emphasize mutual cooperation among producers, the interests of the parts being subordinated to the interests of the whole and present interests subordinated to long-range interests.

Second, a socialist commodity economy develops in a planned way within the planned economy of the whole society; it is not an anarchist commodity economy. Founded on public ownership of the means of production, the state must and can represent the rights of all working people and use economic levers in development of the national economy to institute planned regulation and control, thereby avoiding the insurmountable anarchic state of capitalist commodity economies and realizing planned, proportional, and coordinated development.

In view of the foregoing, in studying China's economic problems one cannot jumble them together with those of a small-scale commodity economy or a capitalist commodity economy. One cannot apply the methods used to solve capitalist economic problems without critically moving them into socialist economic life, much less can one take the various elements that embody capitalist production methods, import them uncritically into socialist life and then publicize them as "reform measures."

For example, the practice that is popular in capitalist society whereby plant managers and directors issue "bonuses" to staff members and workers is, in fact, nothing more than capitalist buying over of lackeys or winning over of workers through trickery to get them to sell their lives. The money that capitalists spend in issuing "bonuses" is a portion of variable wages paid in advance that has as its goal the extortion of more surplus value, and most certainly is not lightly given to workers. The "bonuses" issued by

China's plant managers and directors, however, would be the generosity of the country and far from playing a role in stimulating production, they would create conflicts among the working class and contribute to unhealthy tendencies toward relying on pull. The introduction into socialist economic life of "bonuses" would be no "creation" but rather a distortion and misuse of the authority of plant managers and directors in socialist enterprises.

As another example, some people have organizational cadres and party members use the authority they possess to buy up much sought-after goods in short supply for resale at a profit, or else they use influential people they know, becoming "scalpers" and making easy gains. They also use the new unhealthy tendency not to distinguish between officials and merchants to call such actions by the fine sounding name of "developing the commodity economy." This is yet another distortion of the commodity economy.

Particularly serious is the distortion of the socialist banking system and credit system. The "Decisions" made clear that banks are not commodities. Socialist banks are functional institutions for state management of finances and the flow of currency; they are not economic entities and they are not allowed to have profit as their goal. They must use organization of the turnover and circulation of funds within the national economy to promote coordinated development of social reproduction and have as their duty the prevention of inflation. Nevertheless, some comrades suppose that a socialist commodity economy is a currency economy and that currency must be used to mobilize manpower, material, and financial resources. They make extreme efforts to expand the regulatory role of currency funds in reproduction, and they call for a gradual withdrawal from the field of social reproduction of public fund distribution. They suppose that in a certain sense banks can take over some functions of planning commissions and economic commissions. I consider such conceptions to be wrong. These models that they have designed actually make use of the capitalist system's free credit system of loan capital controlling industrial capital, and they take the place of the socialist production method of a credit system that requires planned application of credit levers in accordance with coordinated development of the macroeconomy. The foregoing conception not only distorts the distinctions between the nature of a socialist commodity economy and a capitalist commodity economy, but also supposes that socialist national bank credit activities have to have as their goal the proliferation of funds. They overlook the essential distinction between socialism and capitalism; they overlook the fundamental premise of public ownership of the means of production; and they ignore the existence of basic economic laws of socialism and laws of planned proportional development.

Both Marx and Lenin made brilliant expositions on the nature and role of banks in socialist countries. Marx said: "Without doubt, during the transition period from the capitalist form of production to the united labor form of production, the credit system can serve as a powerful lever; however, it is only one element related to the major organic transformation of the form of production itself. (Footnote 1) ("Collected Works of Marx and Engels," Vol 25, p 686) Here Marx noted explicitly the essential distinction among banks under different forms of production. Lenin said:



"Large banks are 'national institutions' that we need for the realization of socialism. We may regard them as ready made institutions wrested from capitalism, and our mission in this regard is only to chop off the things that capitalism has debauched on this marvelous institution and made it a more tremendous, more democratic and more all-embracing institution." "It is necessary to cut away, chop down, and chop off the capitalist elements affecting it, make it subservient to the proletarian soviet, make it an institution that is more pervasive, more all-embracing, and more fully a creature of all the people." (Footnote 2) ("Collected Works of Lenin," Vol 26, p 87) Lenin pointed out explicitly here that banks in socialist countries are national institutions and are institutions for the management of currency, rather than private enterprises of capitalists for lending capital, much less enterprises for dealing in currency. Were China's national banks to be transformed into "enterprises dealing in currency" and national credit funds to be transformed into "funds that bear interest," requiring a proliferation of capital or even the running of a "funds market," money deposited in banks being regarded as "shares" for participation in profit bonuses, this would clearly run counter to Marxist-Leninist principles pertaining to the socialist banking system. One major reason for the sudden increase in credit funds during December 1984 was the linking of deposits to credit, combining rights, responsibilities, and interests, and the linking of bonuses disbursed to staff members and workers to the amount of loans issued, making banks a so-called economic entity. A single banking office could disburse more funds, acquire more surplus, make more distributions, issue more bonuses, and even send money to people or ask people to take out loans in an abnormal situation. In capitalist countries, finance capitalist issuance of funds entails risks; in Chinese banks, however, if the funds issued by a subbank, a branch bank or an office are not paid back, who assumes the risk? During the high point of putting money into circulation of December 1984, there were situations in which banks withheld at will banknotes from their own organization of issuance or even acted on their own account to issue cashier's checks (as in Guangzhou where 50 yuan and 100 yuan cashier's checks were issued) is rarely seen even in capitalist countries. Now some places are calling for the establishment of private banks and local banks. What they are doing is trading without having any capital, and using "fictitious funds" to conduct a "phony" business, which can only result in an inflation of credit and a loss of control over the size of investment. Such matters have also gained the support of local CPC and government leaders, thereby increasing its seriousness.

**B. Development of a Socialist Economy Is the Result of the Bringing into Play of the Joint Efforts of the System of Economic Laws Under the Restraints of Basic Socialist Economic Laws.**

The objective economic laws that play a role in the socialist form of production include basic socialist economic laws, the laws of planned proportional development, the laws of distribution according to labor and the laws of value. These laws are inherently related, in turn, to the general laws of human development, i.e., that production relationships must be consistent with the laws of the nature of productivity. In a system of economic laws, the status and role of individual laws differs. In his book,

"Economic Problems in the Socialism of the USSR," Stalin pointed out that basic economic laws determine all major economic processes in a society's formation, and the major aspects of the economic process. They also determine the success or failure of its production forms. Basic socialist economic laws determine that under a socialist system the goal of production is satisfaction, to the maximum extent possible, of the needs of the whole society for regular material and cultural growth; it is not pursuit of profit to the maximum extent. They are used on a foundation of a high degree of technology as a means of making socialist production steadily increase and steadily improve, and they do not give rise to insurmountable contradictions of going from bust to boom and back again in a cycle. This is to say that the basic socialist economic laws require that all the needs of society and the methods of satisfying these needs should grow steadily at the same time. They determine the goals of planned proportional development, and they decide distribution according to labor premised on concurrent concern for individuals and society as a whole and the needs of the present and the long-range.

The laws of value are universal laws of commodity economies. In a socialist planned economy founded on public ownership, the laws of value must play a role. If this point is repudiated or ignored, the planned economy and the commodity economy that could have been organically combined will be set against each other to bring about a rigid economic management system, thereby causing what might have been an organically abundant socialist economy to lose a large degree of its vitality. Nevertheless, in recent treatises, some comrades have one-sidedly magnified the role of the laws of value, and some of them have even denied the objectivity of socialist economic laws. They have not admitted the existence of basic socialist economic laws and laws of planned proportional development. Obviously, this does not conform to Marxist-Leninist principles. Real life tells us that to depart from the role of the various socialist economic laws and to magnify one-sidedly and in isolation the role of the laws of value is to apply mechanically to socialist conditions the role of the laws of value under capitalist conditions, and is to rule out the goals and planning aspects of socialist production. This will lead to chaos in the socialist economy. This is to say that a socialist economy is a large complex system. Within this large system, many economic laws play a role. The direction of applied force is not entirely the same nor is it completely contrary. Its resultant of forces should be the sum of the vectors (i.e., multidimensional resultant forces). The movement and development of a socialist economic system should take into account the results of the role of these resultant forces. In studying and analyzing socialist economic problems, one should specifically analyze the status of the role of all laws; one cannot attribute success or failure to the role of a single law and repudiate the role of other laws. Likewise, when drawing up specific plans for an economic management system, full consideration should also be given the role of the system of laws, matching up microeconomic enlivening with macroeconomic control, rather than emphasizing one aspect and playing down the other.

C. Reform of the System of Economic Management Should Adhere to a Combination of Continuation and Innovation.

An economic management system is a form and method whereby the state manages economic organization. A specific socioeconomic structure and economic foundation requires a specific superstructure that corresponds to it. All class societies require a state. The state is the most powerful superstructure, representing the will of the ruling class and bringing its authority to bear on the economic base. The state has to establish rules and procedures to advance the consolidation and development of the existing economic base. Marx said: "These rules and procedures are, in themselves an indispensable element for any form of production that wants to get rid of pure happenstance or arbitrariness and gain social stability and independence." (Footnote 3) ("Collected Works of Marx and Engels," Vol 25, p 894) The rules and procedures of which Marx spoke here were precisely the laws that the class in the ruling position in the society applied to maintain their interests so as to set a standard for behavior that could be used to consolidate their economic base and maintain their economic order.

Since production methods differ in different class societies, the rules and procedures that a nation sets up also differ. For example, in a capitalist society the administration and management of an enterprise, policy decisions and profits and losses are entirely a matter for capitalists themselves. The state does not go down into the private realm or go into an enterprise to manage its production, circulation and distribution. All that is required is the establishment of rules and procedures from the outside regarding capitalist reproduction, and that suffices. In a socialist socioeconomic structure, since public ownership holds absolute dominance, and is in a leading position with regard to other economic components, the state as representative of public ownership must pervade social reproduction and establish a set of rules and procedures from production and exchange to distribution, and it institutes level-by-level management. These rules, procedures, forms, and methods set up to manage the socialist economy are the socialist economic management system, and they reflect the social form of socialist production methods.

The worth of an economic management system is decided by how well it is able to rely on the system of objective economic laws to advance the consolidation and improvement of the existing socioeconomic structure so that it is geared to and gives impetus to the development of productivity. For example, during the First 5-Year Plan China began large-scale economic construction under conditions of poverty and blankness. Manpower, material, and financial resources were all limited at that time, and the economic component of state ownership was not yet sufficiently strong. In order to make fullest effective use of all resources for essential construction, a highly centralized economic management system was instituted to insure that 156 key construction projects would be carried out smoothly, and so that the economy of state ownership would be consolidated and strengthened. Practice has shown that that former highly centralized economic management system was consistent with the objective realities in China at that time. However,



because of misunderstandings and mistakes in work, we did not constantly reform and perfect this management system as the socialist economy developed. On the contrary, many practical and effective systems were abolished, and consequently the centralized management system became increasingly unable to meet socioeconomic development needs, and served to impede the development of productivity. Now that it is being reformed, the new economic system should be a sublation of the old system and not an across-the-board repudiation of it, i.e., the parts of the old system geared to socioeconomic development should be kept, the somewhat suitable parts should be reformed, and the totally unsuitable parts should be discarded. This is the dialectic method of continuation and building anew in the development of things. We cannot repudiate everything and start from scratch or import a complete economic management system from abroad, nor can we rely solely on a single reform measure to cure 100 illnesses. The continuity and gradualism of productivity and of production relationships requires corresponding reform of the economic management system and should be continuous and gradual.

Lenin pointed out: "A true 'economist' certainly would know that even in the most advanced countries capitalists and trust organizers would have to spend many years of effort, sometimes 10 years or even more than 10 years, to study and inspect their own (and other people's) actual experiences, to correct and change work already underway and to begin anew. Only through such repeated and constant corrections is it possible to find a completely suitable management system and to select completely suitable high-level and low-level administrative personnel, etc. This is the situation under the capitalist system, ...but we are carrying out construction on a new foundation, and this requires that we carry out long-term, determined, and patient reform of the habits inherited from capitalism. This work can only be done step by step. (Footnote 4) ("Collected Works of Lenin," Vol 32 p 78)

After examining China's economic situation, a fact-finding team made up of economists from the World Bank recommended the following: "In the process of overcoming existing weakness in the system, China has to guard against losing the strengths of the existing system. For example, the ability to marshal resources and assist the needy is extraordinarily necessary. Certainly this cannot impede China's advance. In the past, China has been a pioneer with remarkable achievements in many regards. However, this shows the need for China to advance gradually, testing and evaluating each step, even though a completely successful reform in a single stroke can, in principle, bring about relatively few internal inconsistencies. The experience of Eastern Europe also demonstrates that steady progress and every effort to avoid improper judgments in carrying out market regulation is extraordinarily important in order to avoid future retraction of an order or administrative interference that causes unnecessary fluctuations in public feeling." (Footnote 5) (World Bank Economic Fact-Finding Report: "China: Long-Term Development Problems and Programs That Can Be Chosen")

Is gradual reform slow? No. Gradualism in reform is the sublation of the former system of managing the economy, and this does not mean at all that a gradual pace must be a slow one. It is determined by many factors including a country's level of development of productivity, its economic

strength, the degree of its political stability, the degree to which experiences with pilot project reforms have been accumulated, the ability of decisionmaking organizations to exercise control, the processing of information, and the degree to which information is transmitted, etc. A gradual pace may be slow at the outset, but gradually increase later on. It may be fast at the outset only to encounter problems later on and slow down. It may amount to exploring as one goes along, making changes and summarizing (or as Central Committee leaders say, feeling out stones to cross a river), constantly readjusting and adapting and then gradually speeding up again. This is to say that gradual forms and methods are by no means undiversified; one has to look at the ingredients, the scale, the degree of complexity, and the extent of preparation in reforms in making a decision. The overall objective is to do everything possible to reduce the risk of making a great mistake, to do everything possible to avoid backtracking, and to do everything possible so that the results of reform will be optimal.

Stalin had a saying on this issue that merits our attention as follows: "In construction, we must always bear in mind that our leadership of the national economy differs from that of the leaders of capitalist countries. In capitalist countries, private capital holds the ruling position. There, the mistake that all capitalist trusts, syndicates, and capitalist blocs make is corrections through the spontaneous power of markets. If too much has been produced, a crisis will occur; however, once the crisis has passed the economy will return to normal. If too much is shipped in, an adverse balance of trade will ensue and the stock market will fluctuate. Then inflation will occur and imports will be curtailed while exports increase. These are all common phenomena when crises take place. In capitalist countries, any fairly major mistake, any fairly serious production surplus, or any serious disjointedness between production and demand have to be corrected through some kind of crisis. This is how life is in capitalist countries. But we positively cannot live this way. The economic, business and financial crises that take place in capitalist countries only touch individual capitalist blocs. Here, however, the situation is different. Every serious stoppage of business or production and each serious miscalculation in our economy is not ended with each individual crisis, but is bound to have an impact on the whole economy. Every crisis, no matter whether a business crisis, financial crisis or industrial crisis can turn into a crisis that attacks our whole country. Consequently, in leading the economy according to plan, we must make sure that there are few miscalculations, and make sure that our work of leading the economy is extremely sagacious, extremely prudent and careful, and extremely correct and error free." (Footnote 6) ("Collected Works of Stalin," Vol 7, p 248)

### III

The loss of control mentioned earlier raised the task of strengthening macrocontrol. This was a prerequisite for smooth development of economic reform. Thus, we had to explore a series of problems including substance, tactics, and methods to be used to build macrocontrol. Here I will discuss some views and ideas on the setting up of a system of overall financial macrocoordination and balance.

The financial sector is the sector for overall management of distribution in the national economy. National finance has an important position and plays an important role in macrocontrol. It is difficult for us to use methods that do not directly permit the surpassing of set growth norms to halt the tendency toward blind pursuit of a surpassing speed of growth, and a so-called sensible speed cannot be determined by relying on subjectively defined levers. The crux lies in the need to control excess distribution of national income so that a government financial deficit does not occur and so that no inflation in bank credit takes place, production being carried out only insofar as national strength permits. This is the only way of getting sensible speed and of attaining balance, proportion, speed, and uniform results. Adherence to "four main balances" is the main way in which national strength restricts the size to which production is built, and under the new circumstances, building of an overall coordinated and balanced system of public finance in the macroeconomy is a tool for the realization of the "four main balances." Very great changes have taken place in the state of China's financial distribution as a result of several years of reform of the economy. During the time of a highly centralized system, the country's financial budgetary receipts amounted to more than one-third of national receipts; today the proportion is only approximately one-fourth. Under the highly centralized economic control system, there were few funds not included in the budget. Therefore, good control of receipts and expenditures within the budget and adherence to a balance between budgeted receipts and expenditures made it possible to exert overall control of the balance between production and distribution of national income. Since 1979, as reform of the economic management system has advanced, and as party policies for enlivening of the domestic economy and opening toward the outside world have become more pervasive, very great changes have taken place in the financial distribution situation. The self-determination of enterprises and jurisdictions has been increased, and centralized collections have been demolished in the financial sphere for a tremendous increase in unbudgeted funds. From 1979 through 1983, unbudgeted funds increased at an average 22.7 percent per year, amounting to 115 billion yuan by 1984. In 1978, unbudgeted funds amounted to only 31 percent of budgeted funds, but in 1984 this figure had climbed to 80 percent and it is anticipated that during the Seventh 5-Year Plan unbudgeted funds will run neck and neck with budgeted funds, or may even surpass funds within budget. Clearly, unbudgeted funds are no longer just supplements to budgeted funds, but rather are a major integral part of funds for realization of the "four modernizations." In addition, bank credit funds and social funds savings of collectives and individual deposits) have also increased tremendously. This situation shows that the national treasury only controls the distribution of financial resources within the budget and is no longer able to play an effective role in controlling and regulating the national economy. The fairly large scale of investment in fixed assets during 1982 and in 1984 was brought about by overly rapid growth of investment outside of budget. This shows that control only of funds within the budget without regulating or controlling funds outside the budget cannot prevent a loss of control in investment, nor does it help correct handling of the proportion of accumulation to consumption. As a result, subjectively this raises the necessity for reform of the system of government financial management and the building of a comprehensive macroeconomically coordinated and balanced financial system.

The designing of a comprehensive coordinated and balanced macroeconomic government financial system should not have as its goal the centralizing of a portion of unbudgeted funds and the financial resources of society, but rather should set goals that correspond to the reform of the whole economic management system as follows:

First, with the streamlining of government and the delegation of financial authority, there should be a strengthening of the vitality and corresponding independent decisionmaking authority of enterprises so that they make use of the role of market regulation under guidance of state plans to do everything possible to innovate and raise efficiency in an effort to gain relatively good economic results.

Second is to use the microeconomic as a basis for the application of a system of economic levers to establish a macrocontrol system in which both direct and indirect controls are combined so as to regulate and channel the distribution of the resources of the whole society in accordance with the orientation of state plan so as to make the structure of the national economy more rational and achieve optimum socioeconomic results.

Economic laws are an objective system, and a comprehensive government financial macrocoordinated balanced system is a subjective thing that we see after having understood the objective laws. Economic levers are thus the subjective acting on the objective, i.e., a method of consciously applying laws in accordance with a prescribed policy and system to bring about a result.

Economic levers such as wages, bonuses, prices, profits, taxes, government finance, and credit reflect different economic relationships in a socialist economy than in a capitalist economy; thus they are qualitatively different.

Money, for example, can be converted into capital under capitalism. Its process of movement embodies capitalist exploitative relationships. Under socialist conditions, although money still functions as the measure of value, the means of circulation, the means of payment and the means of savings, it should not and cannot be converted into capital. Monetary funds are the expression of the value of goods, and although the form of its movement can be separated from the movement of use value, in the final analysis, it is restricted by the movement of use value.

Under capitalism, wages are variable capital that capitalists advance. They are a converted form of the cost of labor. Under socialism, as Marx said, they are "a yardstick for measuring the individual producer's share of the portion for consumption of a jointly produced product." (Footnote 7) ("Collected Works of Marx and Engels," Vol 23, p 96) Thus, it is restricted by socialist basic economic laws and by the laws of distribution according to labor.

In a capitalist society, price is frequently expressed as a production price transformed from profit on capital, or a monopoly price. Under socialism, the basis for price is the amount of socially required labor

contained in a product. This socially required amount of labor is not based on the consumption of labor by an individual enterprise, nor is it based solely on the consumption of labor in a particular sector, but rather must be based on the average consumption of labor for the product by the production sector that produced it. In addition, the price has to be set in terms of availability of resources and the supply-and-demand situation. Thus, the price is not restricted by the laws of surplus value of capitalism, nor by an average profit rate, nor by a monopoly profit rate, but rather is controlled by diverse laws, such as the laws of value and basic socialist economic laws. This is to say that under socialism, the cost of goods is still based on supply and demand, with price fluctuations regulating production and supply and demand; however, the degree of fluctuation is controlled in a planned way by the state on the basis of the availability of resources and other political and economic policies. This guides production and consumption and strives to prevent the blind seeking after profits and to prevent the blind expansion of production and the anarchy in economy life that ensues from blind seeking after profits.

Under capitalism, profits are a converted form of surplus value that belong to the capitalists. Under socialism, they are the value of goods that workers have provided society and they belong to the society. They are an important indicator of the economic effectiveness of an enterprise. The profits retained by a state enterprise are for the purpose of satisfying its needs in exercising its functions and powers and its administration and management. Enterprises only have self-determination in their use, not in their ownership. Profits in collective and individual enterprises belong to the enterprises themselves; however, their members are also members of society, and they likewise enjoy the public utilities and the public facilities that the state operates; consequently, they also have to bear a certain responsibility to society by paying a portion of profits to the state in the form of taxes.

Taxes are a means whereby socialist countries make "necessary social deductions," and they are also levers for coordinating prices and for controlling the laws of value to carry out macroregulation. They are not the secondary tools of exploitation that they are under capitalism; thus, one cannot say simplistically that they are coercive and uncompensated. Moreover, since socialist taxation is a form of deduction by society, it cannot be passed along.

As an integral part of the superstructure, under socialism public finance makes the deductions from society for the state and provides the financial resources for all the activities in society that the state operations. It also organizes a rational distribution of society's financial resources, regulates accumulations and consumptions as well as the major proportional relationships among all economic sectors and all industrial sectors. It is the functional institution of the state for making more rational both the economic structure and the structure of social facilities. Socialist public finance levers include taxes, payments to the state of profits, subsidies, the national debt, distribution of funds, etc. These are reactions on the economic foundation from the application of authority by socialist states, and they are a powerful tool for promotion of planned development of a commodity economy.



Understanding and mastery of the role of the foregoing economic levers in a socialist economy helps us consciously and correctly apply economic levers, coordinate them and make them complement each other so that the financial management system's reform is suited to, and advanced reform of, the entire economic management system.

A comprehensive coordinated and balanced public finance system for the macroeconomy is a large system. It is founded on the national economy comprehensive balance theory and "national power theory" and on "the four greater balances" theory. It has at its core the control of budgeted public funds, and it guides, coordinates, and balances the movement of all funds.

"Guide" means to use the role of economic levers in accordance with national technical and economic policies and industrial improvement plans to guide units that use funds to apply them mostly to replacement and improvement to upgrade technical equipment and technological levels, to upgrade and update products in a planned step-by-step way, to increase colors, varieties, and styles, to conserve energy and raw and processed materials, to upgrade quality, to increase output, to lower costs, and to take a new road of increasing economic results. It is necessary to guard against departing from the path of national policies and plans, using funds of various kinds for ill-advised construction and duplicative construction; it is necessary to guard against jurisdictions, sectors, and units going beyond what financial resources will allow in a blind expansion of the scale of investment.

Balance means to organize a balance and dovetailing of funds and materials in the current year and future years, including balance in money and materials used in different key projects, thereby assuring smoothness in production and construction and a benign cycle in the national economy.

In order genuinely to make the most of the foregoing functions, organization of the comprehensive public finance coordinated and balanced macroeconomic system has to demolish sectorial limitations and get rid of traditional organizational methods, using systems engineering methods to organize.

A. Design and Perfect a Public Finance Credit Plan According to the Overall Requirements of Systems Science.

Overall refers to analysis. The principal characteristic of traditional scientific methodology is analysis. This means breaking down a whole into parts, breaking down a complex thing into simple elements, and then studying them in precise detail. Modern science has to be founded on the dividing into categories for study. It requires that people bring to light common properties and common laws inherent in the forms of activity of different things. This requires emphasis on overall methods in analysis. This means linking all parts, all aspects, and all factors of the thing being studied for examination, finding out common traits and laws. This is also the case when studying the movement of capital. In the course of more than 30 years of building China's economy, economists have studied rather exhaustively the laws of different patterns of movement of all sorts of funds. Modern economic management requires that we study comprehensively patterns of movement of

various kinds of funds in the national economy, their interrelationships, overlapping, and mutual restrictiveness. In order to do this, first it is necessary to design and work up a comprehensive public funds credit plan. On the basis of the present situation in China, such a comprehensive public funds credit plan should include the following eight aspects:

1. National budget receipts and expenditures plan;
2. Unbudgeted funds receipts and expenditures plan;
3. Credit receipts and expenditures plan;
4. Cash receipts and expenditures plan;
5. Inhabitants currency receipts and expenditures plan;
6. Township and town collective economy and individual economy financial receipts and expenditures plan;
7. Sector financial receipts and expenditures plan;
8. Foreign exchange receipts and expenditures plan.

Analytical study in the following six regards may be conducted on the basis of the information provided by the comprehensive public funds plan:

1. Determination of whether total funds in the society are in balance with material goods in the society.
2. Study of the direction of flow and the direction of investment of funds in all categories. Determination of the coordination of the use of funds with production, circulation, distribution, and consumption.
3. Use of analysis of the laws of movement of funds as a basis for planned readjustment of policies and flexible use of economic levers to organize and guide the use of funds. Even out surpluses and shortages, and use for urgent needs intermittent funds, funds that have "settled out," and temporarily idle funds in order to promote production and circulation of goods.
4. Provide data and information to units in charge of funds, including public funds treasuries and banks for supervision of funds use.
5. Complete mastery of the status of inputs and outputs of foreign funds, analysis of ability to repay foreign funds, and bringing foreign funds into overall balance.
6. Formulation of national (as well as regional) economic development strategy and long-range development plans founded on good performance of the above five tasks; study of appropriate fund-distribution policies and the structure for distribution and accurate auditing of input and output,

using the least amount of manpower, material, and financial resources to gain maximum socioeconomic benefits. This is the only way in which public finance departments can truly carry out their function of overall control of distribution to become administrative and management departments for the national economy.

**B. Establishment and Perfection of a Level-by-Level Financial Management System Geared to the System's Overall and Separate Level Requirements.**

Systems methods require quantitative determination of optimum goals of a system based on requirements and capabilities, and application of the newest technical means and handling methods to divide up the entire system into a structure with different levels and to coordinate the relationship between the whole and the parts in changing situations so that the function and goals of the parts are subordinated to the system as a whole and the optimum goals to attain overall best results.

For a comprehensive coordinated and balanced macroeconomic system to attain the optimum goals of total economic effectiveness in the national economy, further reform of the public finance system will be required. This is because the system of "eating food cooked on separate stoves" has broken up the situation of centralized collection, it has many shortcomings as follows: First is that the lower levels frequently exert pressure on the upper levels and the upper levels exert pressure on the lower levels. Second, it has not eradicated blind development by local jurisdictions based on a partial rather than a total view. Third, the central government continues to monopolize control over increased expenditures occasioned by various changes (such as price changes, increased authority of enterprises, and opening up to the outside world). This is to say that "eating food cooked on separate stoves" is only a separation of the proportions of receipts and expenditures. In actuality, a centralized budget remains with public finance organizations at each level uncertain about their responsibilities. Thus, it is difficult to control the central treasury while local treasuries have no self-determination. Therefore, the coordinated and balanced macroeconomic system requires establishment of a level-by-level control system.

All levels should seek balance while adhering to the principle of primary-level authority, primary-level public funds, and primary-level budgeting. Sources of funds should be defined first of all. Now that payment of profits has been changed to payment of taxes, it is necessary to institute a system for division of tax revenues between the central government and local governments on the basis of jurisdiction over matters. Central government tax shares should be strengthened. National taxes that are revenues belonging to the central government should be the responsibility of a national tax bureau with centralized authority over tax reductions or exemptions that is separate and distinct from local receipts and expenditures, with no dividing up of these revenues. In the case of revenues belonging to local governments (including local taxes and shared taxes), when income is less than expenditures required, a change should be made to the central government providing budget assistance, such as fixed subsidies and special-purpose subsidies as against the present method whereby the state assumes



responsibility. As regards budget payments, whenever nonbudgeted funds can be used to make payments, payments should not be made from budgeted funds. Expenditures that are properly the responsibility of local jurisdictions should be paid out of local budgets. The method of checking and verifying the numbers of people and fixed sums provided for in budgets and specifically carried out financial standards should be distinguished. The central government is to formulate policy guidelines for various expenditures, and local jurisdictions have authority within overall policy guidelines and insofar as financial resources permit to suit general methods to specific circumstances to formulate standards for implementation. No budget at any level is to incur a deficit and neither the central government nor local jurisdictions are permitted to run a deficit.

Building and strengthening of township (or town) public financial institutions is necessary. Now that political bodies and communes have become separate, townships (and towns) are primary political authorities that must set up townships (and town) primary-level public funds institutions. A certain amount of experience from pilot projects has already been gained in the establishment of township (and town) financial institutions in all jurisdictions. This experience should be used as the basis for future strengthening of these institutions. Most important is the establishment of an advance final settlement system, carrying out of graduated centralized responsibility policies, and setting of equitable limits on the extent of raising of funds and expenditures by township (or town) public funds institutions.

### C. Maintaining Planned Credit and Overcoming Spontaneity.

Under socialism, banks are the organizations responsible for state control over the circulation of funds. They have to work together with other overall economic units to organize and carry out the coordination, balancing, and close cooperation of the macroeconomy.

First is planned issuance of currency on the basis of commodity production and circulation needs. This is one of the basic means for stabilizing and developing the economy, and it is also a basic requirement for organizing and realizing overall balance in the economy.

The first means for controlling issuance of currency is the eradication of public funds deficits. The second means is achievement of balance between credit receipts and expenditures, wiping out credit inflation. When these two conditions are met, it becomes possible overall to control the balance between supply and demand. (This issue will be discussed in detail subsequently.) The third means is that issuance of currency must be controlled by the central government authorities. This is because in addition to the foregoing two factors, issuance of currency is for the payment of wages and bonuses, for the procurement of agricultural and sideline products, and for the readjustment of prices. All these matters are basically decided by the central government; consequently, the authority to issue currency must be centralized in the central government. Otherwise, loss of control would result.

Second is maintenance of a balance between credit receipts and expenditures and between funds and goods to eradicate credit inflation. This is the crux of planned credit. To depart from this principle is to violate the law of socialist planned proportional development.

Logically, a socialist credit system should adhere to the principle of the issuance of credit having to be interlinked with the circulation of goods to insure availability of goods. Providing funds for speculative buying and selling short is not to be permitted, nor are commercial coupons permitted to replace the circulation of currency. Thus, the movement of funds and the movement of goods should be identical and the issue of credit inflation should not arise. However, in recent years turmoil has appeared in both theory and practice. Investment on credit in fixed assets has now become separated from overall balance constraints, i.e., unplanned and unsecured commercial credit is also on the increase with some enterprises having issued stock shares with the result that the movement of funds and goods has become disjointed. In particular, adoption of "linking credit to savings," and the linking of credit and bonuses has led to credit deriving from savings and savings creating large amounts of new credit, in turn, thereby giving rise to credit inflation. Marx noted: "Some enterprises opt for productivity and the means of production for a fairly long period of time, but do not provide any effective products during this time period, while another production sector not only constantly or frequently opts for productivity and the means of production, but also provides both the means of livelihood and the means of production. We must use society's ownership of production as a basis for determining at what scale the former will carry on so as not to damage the latter." (Footnote 8) ("Collected Works of Marx and Engels," Vol 24, pp 396-397) Clearly as a result of purchasing power having been increased through credit inflation, when they cannot buy goods borrowers turn the credit into savings and if credit continues to be issued on the basis of savings, it will produce more savings. Credit inflation is the major way in which the distribution of value becomes separated from use value. If this is not watched vigilantly, it can become like a runaway horse and will wreck overall balance. Commercial credit and stock shares are divorced from goods, and they may cause a decline in making deposits, making funds even more scattered. Were it not for the issuance of stock shares, both enterprises and individuals might deposit their temporarily idle funds in banks. The issuance of stock shares cannot but divert to stock shares the savings that might otherwise be deposited in banks. The more shares issued, the greater the decline in savings.

Therefore, maintenance of a true credit balance between receipts and expenditures requires clarification of this issue from both a theoretical and a practical standpoint. Without such clarification, planned credit will not be truly attainable and overall balance will be impossible of realization.

Third, the organization of a balance between credit receipts and expenditures requires handling matters according to the laws of circulation.

The movement of funds follows the laws of motion of circulation-production-circulation, and they move within the limits of social reproduction. For a bank or an area to cut off the circulation of funds for major social production on the basis of its only partial view is untenable from a theoretical standpoint and is also harmful from a practical standpoint. For example, the slogan "rural funds for rural use" is not in keeping with the balance between socialist large-scale production and the national economic system. When we purchase agricultural products, currency flows to rural villages and agricultural and sideline products flow toward cities only to return to rural villages following processing. In the course of this circulation, rural savings deposits increase, on the one hand, and, on the other hand, the funds used in the whole process of buying, storing, and hauling for industrial processing of agricultural goods must increase. If other factors are left aside, there is overall balance between these two. Were rural savings deposits to be used solely for agricultural loans, then the funds needed for processing agricultural products saved by industrial and commercial enterprises would have to find another outlet. So there is a problem of overall balance in this. The movement of funds in large-scale socialized production cannot be organized using the viewpoint of a single bank or a single area, much less can it be done solely by proceeding from a bank's profits to practice so-called "linking of savings and credit," and "the more savings, the more credit." One must proceed from the total situation in the national economy to organize the turnover and circulation of funds to regulate the ratios of total supply and total demand and total accumulation and consumption in society to coordinate production and circulation, to direct the direction of investment and the direction of flow of funds. Consequently, the way of doing things that regards specialized banks, branch banks, subbranch banks, and bank offices as economic entities for carrying out so-called "autonomous operations" runs counter to the principles of large-scale socialized production under socialist public ownership.

In short, it is necessary to carry out strictly the principle of no separation of credit from commodity flow and to delimit strictly the distribution of circulating funds and the distribution of fixed funds. This is a major feature that distinguishes the socialist credit system from the capitalist credit system. Methods that arbitrarily expand commercial credit and turn false savings into real credit, thus causing credit inflation, violate the principles of a socialist credit system. Unless this is corrected, it will inevitably become an element that breaks the coordinated balance of the macroeconomy.

#### D. Strengthening Control over Unbudgeted Funds, Making Supervision of Public Funds Strong and Building a Fund-Management System.

Unbudgeted funds include the various funds in possession of local public finance institutions, administrative institutions, state-owned enterprises, and departments in charge. They are public funds, and they are financial resources that the state turns over to local jurisdictions and entrepreneurial units to meet objective requirements of economic life that

are outside of budget and that are to be used in emergencies and suited to places, times, and events in accordance with policies. Use of these funds must be under the control and supervision of the national treasury. Inasmuch as unbudgeted funds have greatly increased in recent years, establishment of a fund-management system requires the setting up of public treasuries or special accounts for different kinds of funds as the only way of genuinely and effectively controlling unbudgeted funds. This is an extremely necessary and important task for linking the enlivening of the microeconomy with control of the macroeconomy.

Strengthening of control over unbudgeted funds requires, first of all, the perfection of auditing of unbudgeted funds, with the status of receipts and expenditures truly and completely shown on financial accounting forms. In addition, the state has to use the statistical system and the audit system to get control over the overall situation with regard to receipts and disbursements of these unbudgeted funds that are scattered in myriad places and exercise effective supervision over them.

Second, there has to be active and accurate guidance. This entails unified planning, making overall arrangements, and flexible management without changing rights of ownership. Some places have already made some very significant trials of specific management methods in this regard from which they have gained some initial experience. I believe that the various funds that make up unbudgeted funds should set up special accounts for effective control through a special-account savings system. Examples would be accounts for funds for replacement and renovation, funds for the development of production, welfare funds and bonus funds. Such a special-account system would help get control category by category of the status of receipts and expenditures of all kinds of funds. One would know where the money was, how much had been used, and what public financial and credit levers were being applied in flexible control of the remaining portions of funds in order to make fullest use of the effectiveness of the funds for equitable use of non-budgeted funds.

Once the self-determination of enterprises had been enlarged and the substitution of payment of taxes for payment of profits had been instituted, national treasury methods of financial control over state enterprises have been in the process of change. Formerly, control consisted principally of setting norms and checking according to plan. Today it is necessary to carry out economic regulation, with the result that financial control tasks have not decreased but rather have become more complex, and requirements stricter. In the realm of control over circulating funds and fixed funds, though enterprises have the right to make allocations and the right to use funds; still ownership belongs to the state, and the state still controls, regulates, supervises, and manages through public financial institutions and banks.

With enterprise replacement and renovation funds and production-development funds increasing more and more, how should they be most effectively used? Need for controls in this regard are far more complicated than the former item-by-item request for funds. Helping enterprises use their self-determination powers well and managing their retained funds well is no easy task.

The state also should strengthen control over enterprise costs. In the past, auditing of enterprise costs was not factual and false reporting of profits was made to the treasury. Subsequently, an inventory of property and a check on goods uncovered losses and damage to goods, which the treasury canceled after verification. If we leave aside the effects of false reporting of income on the overall balance, even though there were false receipts in the past, current cancellation after validation, implementation and such methods can also be discussed to reach an understanding. Now self-determination has been increased and bonuses and wages have been linked to economic benefits. If auditing of costs is not factual and if there is falsification of profits, staff members and workers in enterprises can get something for nothing. Therefore, under new conditions the strengthening of cost management and strict control of the size of expenditures for costs is more important than formerly. It bears directly on the question of whether or not it is possible to control the primary distribution of national income. When reported costs are inconsistent with the facts, that leads to a loss of control over distribution, and this is a problem that must be viewed seriously. Therefore, accounting methods and costs regulations must be genuinely carried through with not the slightest ambiguity being countenanced.

Public finance departments also have responsibility for transmitting information to enterprises in accordance with macroeconomic plans and industry plans, to provide policy decision plans, and to help enterprises understand the macroeconomic situation and have full understanding of the correct orientation of development. This is because the control and management of enterprise funds by public finance departments is so that enterprises will have vitality and dynamism, and it is to help enterprises develop production and to constantly produce new varieties and quality, thereby opening markets, increasing earnings, and expanding sources of wealth. If this point is departed from, the coordinated and balanced macroeconomic system will lose its foundation.

#### E. Constant Perfection of the Tax Collection System and Taking Full Advantage of the Regulatory Role of Tax Collection Levers.

The second step in the change from payment of profits to payment of taxes produced very great reforms in the country's tax collection system. However, as the socialist planned commodity economy develops, we will have to further explore questions such as the function and role of socialist tax collection, and the tax collection system will also have to be perfected further.

Tax collection is a special distribution relationship whereby the state executes its social function and participates in the distribution of social products; it is also a powerful economic lever whereby the state applies its authority on the economic base. The tax-collection function is closely related to the functions of the state. Like the state, it is restricted by social productivity and the development of production relationships, and serves them. The nature and functions of the state differ as the methods of production differ; thus, the objectives that the application of tax revenue levers serve also differ.

In a socialist planned commodity economy, our tax collection must both follow socialist basic economic laws and the requirements of planned proportional laws; it must also be consciously based on and apply the laws of value of commodity production. It must both maintain state macrocontrol of the whole national economy and help strengthen enterprise vitality and enliven the microeconomy. It must assure the amassing for the state of needed funds and be committed to control the economy and to regulate the distribution of national income thereby advancing the major mission of making the economic structure more rational.

In order for tax collection to do this, we must constantly readjust and perfect the tax collection system on the basis of socioeconomic development so that simultaneous with instituting "necessary social deductions" from national income, full advantage is taken of the effective role of its a priori, simultaneous, and followup regulation.

This is to say that we must use not only the income tax for direct regulation of the earnings of individual economic entities, but that we must also use taxes on goods in coordination with state price policies and economic policies to regulate profits from products, to guide production and consumption. Added-value taxes and avoidance of duplicatory assessments on products can be used to promote specialized coordination. Business taxes may be used to keep open channels of circulation to promote business, to reduce the number of links through which goods flow and to hasten the circulation of goods. Taxes on resources and taxes for the use of fixed assets can be used to regulate differences in income of individual enterprises resulting from differences in objective factors, such as natural resources and technical equipment (these several kinds of taxes are to regulate differences in external conditions of enterprises in production and doing business). In addition, there are taxes that are instituted for the realization of special regulation, such as construction taxes for control of investment in fixed assets outside of plan, wage-regulation taxes and taxes on excess bonuses, etc., established to restrict distribution of individual consumption funds within an enterprise.

It should be realized that contradictions within socioeconomic life are complex, and that the macroeconomic controls and regulations that the state has to put into effect are also multifaceted while the role that any of the aforementioned taxes can perform is limited. We cannot have any illusions that all problems can be solved by using a single kind of tax. Thus, we must proceed from realities in China to build and develop creatively a theoretical system for the country's socialist tax collection. In addition, we must take new actions in the light of new circumstances that appear in objective economic development and steadily build and perfect a socialist tax-regulation system for China replete with many links, many levels and many kinds of taxes.

#### F. Intensification of Controls over Foreign Funds and Organization of Balance Between Income and Expenditures of Foreign Exchange.

Since the opening of China to the outside world, the amount of foreign capital introduced into the country has increased with each passing year,



and good performance in control of this capital is a major task in the coordinated balance of the macroeconomy.

First, the introduction of foreign capital has to be considered in long-range terms and there has to be a centralized development strategy and the formulation of scientific development plans. Some domestic markets have to be opened up to attract foreign capital and for the introduction of advanced technology while, at the same time expanding the ability to earn foreign exchange and realize a favorable balance of foreign trade to augment the shortage of foreign exchange funds to pay for advanced technical equipment and to organize in an active way a balance between foreign exchange receipts and expenditures.

Second, there should be formulation under guidance of the development strategy of specific technical and economic policies for the introduction of foreign capital. Lack of an accurate technical and economic policy will be unfavorable for China's domestic technical transformation and enhancement of the ability to be self-reliant. If the first step is introduction of money for production equipment, then the second step should emphasize ability to produce parts and software so as to reduce dependence on the outside world.

Third, tax-collection policies should help introduce technology. Preferential tax rates should be set for different industries and depending on how advanced is the technology introduced. They should not be set in terms of different areas. This is the only way to help the readjustment of industries and the transformation of old enterprises and go on to advance rationalization of the national economic structure and to improve productivity rates.

Fourth, there should be no antagonisms between coastal cities that open to the outside world and inland cities that have conditions for opening to the outside world; they should develop intertwining relationships. Coastal cities should emphasize development of key products, such as high-grade, precision, and advanced products like microcomputers and machine tools, with production that ingests and digests advanced techniques being transferred to inland cities.

Fifth, attention must be paid to economic results from the introduction of foreign capital. Feasibility studies and project assessments must be made to prevent blind introduction and duplicatory introduction of foreign capital. Introductions of foreign capital should both be coordinated with the use of RMB investment and ability to make repayment should be diligently examined for resolute prevention of situations in which results are ignored and a large amount of money is sought in a hurry.

Sixth, in order to organize a balance between receipts and expenditures of foreign exchange, not only should rational arrangements be made whereby the state centrally borrows and centrally repays foreign exchange, but borrowing and repayment of foreign exchange by local jurisdictions and enterprises should also be properly controlled and supervised so as to have a full

understanding of the size of debt obligations in order to organize overall balance in receipts and expenditures of foreign exchange.

G. Level-by-Level Establishment of a Coordinated and Balanced System, and Reform and Perfection of the Policymaking System.

A fully coordinated and balanced public finance system ultimately requires a corresponding organization for implementation. It requires that functional components play their full role, and it requires even more that functional components coordinate their work level by level, and that they reform and perfect policymaking methods and systems.

The individual units in charge in state organizations should have effective and workable technical and economic policies and industrial transformation plans (including regional distribution plans), and all trades and industries in the national economy should set up "bird cages" [to prevent individual regions and industries from vying with each other for speed, duplicating production and duplicating construction].

Comprehensive public finance credit plans are tools provided for in an all-round way for budgeted, unbudgeted and social funds (including bank loan funds, foreign funds and foreign exchange). They should be put on agendas at all levels of government and treated as important matters. They can bring into play tremendous power.

To this end, full use should be made of the functional role of planning commissions, and of public finance and banking institutions.

Public finance departments should be China's main hubs for distribution. All issues belonging in the field of distribution should be studied and concurred in by public finance departments. This includes matters, such as prices, subsidies, bonuses, interest, etc., in prime distribution. The distribution plans proposed by all functional departments should be verified through feasibility studies and comprehensively balanced by financial departments; this is not a matter to be left to individual trades. The various funds to be retained by enterprenurial units in the course of redistribution (including foreign funds), and redistribution of an investment nature from bank credit funds (including foreign exchange) should also be verified by public finance departments and made a part of overall public finance and credit plans for control.

Banks should become units for overall state control of the flow of funds. All funds to be circulated, including the issuance of credit, the issuance of currency, and foreign exchange control, should be centrally controlled by the Chinese People's Bank. Credit plans of all specialized banks may be put into effect only following authentication by the People's Bank. The amount of currency to be issued is to be under direct control of the Central Committee and the State Council. Operation of local banks and private banks is prohibited, and all foreign exchange is to be centralized in the Bank of China. Private foreign exchange dealings are forbidden and blackmarket dealings in foreign exchange are banned. The circulation of foreign currency inside China is forbidden.



Planning commissions are the supreme organizations for the overall control of production, distribution, circulation, and consumption. They should overcome the tendency to control only investment in capital construction to the neglect of all-round balance and they should revalidate matters in all regards. Three-way organizations made up of planning commissions, public funds departments, and banks should be organized with responsibility for overall financial and credit planning work.

#### IV

Strengthening of macroeconomic control is a function of correct macroeconomic policy decisions. Historically the mistakes that have occurred in China's economic work have been largely attributable to incomplete policy decisions. Therefore, I believe that systems engineering methods should be applied on the principle of democratic centralism from the Central Committee on down to all levels of local government to set up a scientific policymaking system.

The new policymaking system should be organized along the following three lines.

1. Functional unit planning proposal system. This means draft plans put forward by units in charge from bottom to top (including enterprises, units, companies, and departments) following scientific analysis by their own experts. These should be scrutinized and balanced level by level and collated by units in charge at the Central Committee level and presented to the state as recommendations. Since they understand their own needs best, they are the proposed basis for plans and they also form the basis for state consideration of policies. However, these plan proposals may not be entirely synonymous with requirements of the whole as a result of departmental or regional limitations, so it is necessary to set up the second system described below.

2. Overall balance system. Because they are located in the same places, both units under central government jurisdiction and local units have contact with each other in many places. Consequently, plan proposal drafts from functional departments should undergo overall balancing by area (local authorities). A balance table should be drawn up by local planning commission, economic commission, public finance, banking, business, and materials units that contain their recommendations, and this should be sent to the State Planning Commission. The collated proposals of the State Planning Commission, the Ministry of Finance, the Central Bank, commercial and materials departments, and Central Committee consulting units (central authorities), i.e., trade and industry plans will form an overall balanced plan and put forward their own recommendations. This forms the basis for the making of policy decisions by the state. However, the balance referred to here may be workable in terms of overall proportions, technical policies, and manpower, material, and financial resource capabilities; however, it is limited in certain ways, and there are bound to be certain oversights and omissions in it. Thus, the third system described below should be set up.

3. Consulting and validation system. The crux of the scientific nature that we talk about lies in following objective laws (including natural laws and economic laws), and those that understand these laws naturally include, first of all, specialists in various trades and industries and leaders in functional departments and overall departments. It was said earlier that individual units, regions, and units may have their limitations. This meant that extraordinarily well versed experts are not exempt from influence by certain inclinations that interfere with the application of their real knowledge and deep understanding. Thus, in both the validation of overall plans and the validation of any given part, its scientific nature may be affected. Although all levels organized expert-validation meetings in the past, these were frequently influenced by the inclinations of the organizers (central and local leaders), with the result that many knotty problems were not thoroughly validated. Therefore, I believe that in order to give national leaders a basis for making policy decisions, not only is it necessary to have the validation of experts in individual departments and units and in overall departments mentioned above, but it is also necessary to set up a scientific validation system that is separate from departmental leaders. Specifically, this means the organization--under direct leadership of the State Council and provincial, municipal, and autonomous region people's governments--of experts from various scientific societies and economic societies, and having them become not only a corps that gives impetus to the fashioning of academic theories in China, but also having them become members of a consulting and validation system that directly serves the building of the four modernizations. Though these experts would be under jurisdiction of individual departments; nevertheless, when they took up their roles separate from them, they could divest themselves of these limitations. This is another way of taking full advantage of the talents of scientists and a good way to have them make a contribution to national policy decisions. Their function would certainly be much greater and much more objective than sole reliance on the strength of the individual functional system. This would not replace the scientific validation done by the individual functional system. This would not replace the scientific validation of the individual functional system, but would make policymaking more scientific and more complete, reducing miscalculations to the minimum.

If China's policymaking were truly built on such a system, the goals of economic management policies and the scientific approach would be better unified and bring out the best in each other. The coordinated and balanced macroeconomic system could then be set up more perfectly. In this way, the handling of matters in accordance with objective laws that people talk about could really be put into practice, and the superiority of the socialist system could be given full expression.

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## MINERAL RESOURCES

### INVESTMENT IN MINERALS INDUSTRY TO INCREASE

HK070915 Beijing CHINA DAILY in English 7 Apr 86 p 1

[By Guo Zhongshi]

[Text] Leaders of China's mineral industry, which has been authorized to handle its own exports from this year, have decided to double investment and build large regional export bases.

With an eye on the international market, the new 5-year scheme aims to bring the industry's annual foreign currency earnings to more than \$400 million by 1990, double the present level.

The state will allocate 500 million yuan (about \$170 million) to the industry during the Seventh 5-Year Plan (1986-1990), twice as much as it invested in the previous 5-year plan period.

Xu Lique, director of the Planning Department of the State Administration for Building Materials Industry, told CHINA DAILY that priorities were to be given to exports and products that could replace the country's non-metallic mineral imports.

Having gained authority to export from the Ministry of Foreign Economic Relations and Trade this year, Xu said, the industry planned to establish about a dozen export bases across the country to explore new mineral sources with advanced techniques being imported from abroad.

The State Administration will build three talcum export bases in Liaoning and Shandong Provinces and Guangxi Zhuang Autonomous Region, plus three graphite export bases in Shandong, Heilongjiang and Inner Mongolia.

It was also considering two to three granite and marble export bases, Xu said, and had sent out three surveying teams to South China to look for the best locations.

China has so far discovered 80 exploitable non-metallic mineral deposits. Apart from diamonds, deposits of important non-metallic minerals in the country could not only satisfy domestic needs but also supply large quantities for export.

"The question is how to make the most of the export potential," Xu said, describing the burgeoning industry as rising like "the morning sun."

"Our superiority lies in rich and untapped resources. As non-metallic minerals have a low energy consumption rate and are simple to process and quick to earn foreign currency because of the huge demand, we are confident we will be able to break into the world market," Xu said.

By 1990, he said, a nationwide mineral exploitation and processing network would take shape so that the annual output of such important minerals as asbestos, graphite, gypsum, talcum and kaolin would rise respectively to 200,000, 250,000, 8 million, 170,000 and 900,000 tons.

To ensure the success of the plan, mineral mining and processing enterprises should break away from the tradition of "small and gradual exploration" to push a new "mass mining" policy.

"All the departments concerned should provide help in the form of funds, manpower and technology," he urged. "They should also give priority to mineral mining to supply fuel, raw materials and export outlets," he said.

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## MINERAL RESOURCES

### BRIEFS

**ZHEJIANG DIATOMITE DEPOSITS**--Hangzhou, 25 March (XINHUA)--Proven diatomite deposits in Zhejiang's Shengxian County account for more than 65 percent of the total diatomite deposits in China. The county now produces 40,000 to 50,000 metric tons of diatomite annually, which is mainly shipped to Shanghai and Ningbo. [Summary] [Beijing XINHUA Domestic Service in Chinese 0031 GMT 25 Mar 86 OW] /12232

**HEILONGJIANG GOLD MINING**--Heilongjiang Province has encouraged all trades and professions to mine gold through cooperative efforts. In 1985, gold output showed an increase of 29.4 percent over 1984, ranking third in gold production in China. Statistics released on 5 March 1986 show that the gold output during this period also increased by more than 200 percent over the same period of 1985. [Summary] [Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 25 Mar 86 SK] /12232

**GUANGXI ORE DEPOSITS**--Beijing, 29 March (XINHUA)--A large metalliferous deposit was discovered recently in Hechi Prefecture, Guangxi Zhuang Autonomous Region. According to the China National Nonferrous Metal Industry Corporation, this is a paragenetic deposit, containing tin, lead, zinc, antimony, and silver, with tin as the chief content [no figure showing quantities of reserves]. [Summary] [Beijing XINHUA Domestic Service in Chinese 0233 GMT 29 Mar 86 OW] /12232

**HEBEI IRON MINES**--Shijiazhuang, 12 April (XINHUA)--Hebei Province, North China, plans to build 12 iron mines around a big deposit in its eastern part in the next 5 years, a local official said today. As a result, the area will produce 10 million tons of iron ore and 4 million tons of dressed iron powder in 1990. These products will be supplied for iron and steel companies in Tangshan, Anshan, Baotou and Tianjin. Located in the Yanshan Mountains, the Jidong deposit has a verified magnetite reserve of 4.6 billion tons. The ore has low contents of phosphorus and sulphur, harmful elements to the environment and human health. And it is easy to develop the mines. At present, the area has one province-run mine producing more than 1 million tons of ore a year and some peasants-run mines with an annual output of 900,000 tons. [Text] [Beijing XINHUA in English 0716 GMT 2 Apr 86 OW] /12232

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## INDUSTRY

### INDUSTRIAL PRODUCTION KEEPS MOMENTUM THROUGH FIRST QUARTER

OW081028 Beijing XINHUA in English 0933 GMT 8 Apr 86

[Text] Beijing, 8 April (XINHUA)--China's industrial production maintained a sustained and coordinated development in the first 3 months of this year.

This assessment was made by Zhao Weichen, vice-minister of the state Economic Commission, at a national meeting on industrial production held here today.

Since the beginning of this year, he said, a good momentum has been gained in the growth of the raw-material, energy, light and textile industries. The quality of industrial products has been improved constantly and the state quotas for transportation have been fulfilled. In addition, both exports and state revenue have risen by a big margin, he added.

The country's industrial output value totalled 198.7 billion yuan in the first 3 months, 4.4 percent more than the figure for last year.

Between January and March, China produced 104.2 billion kwh of electricity, an increase of 7.6 percent over the same period last year, and 225 million bbls (or 30.9 million tons) of crude oil, a rise of 2 percent. Some 104 million tons of coal were produced by state-owned mines--3.46 million tons more than the planned target--and 89.57 million tons were turned out by locally-run coal mines.

As compared with the same period of last year, the output of pig iron, steel, and rolled steel registered increases ranging from 6.6 to 13.2 percent, that of non-ferrous metals rose by 4.2 percent, cement by 15 percent and plate glass by 11 percent.

A considerable increase of light and textile industrial goods has brought a thriving market with a huge quantity and variety of commodities, and consumers have more choice, Zhao said.

Up to 20 March, China's export trade earned 4.86 billion U.S. dollars--a rise of 17.3 percent over the same 1985 period. The export volume of all the national import and export corporations increased, except for the China National Chemicals Import and Export Corporation, whose exports were affected by a drop in oil prices on the international market.

In the first 2 months, the state revenue rose by 13.5 percent and income from such sales by 5.5 percent.

However, Zhao said, the profit gained and taxes delivered by these industries dropped, production costs increased.

Necessary measures are being taken by the government to tackle these problems, Zhao said, and some have already been resolved.

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CSO: 4020/279

INDUSTRY

OPEN POLICY ACCELERATES AUTO INDUSTRY PRODUCTION

OWO41749 Beijing XINHUA in English 1504 GMT 4 Apr 86

[Text] Changsha, 4 April (XINHUA)--The open policy has brought about a big boom in China's automobile industry over the past 5 years, with steady increase in output and marked improvement in quality, according to Chao Shiqing, deputy general manager of China's Automobile Industry Co, today.

Chai said that the past 5 years witnessed an average annual increase of 13.5 percent in the output of motor vehicles to 400,000 in 1985 and 195 new models had been developed.

However, the output 5 years ago was only about 220,000 he said.

China-made motor vehicles are more competitive than imported ones on the home market, he said, because they are cheaper and services and replacements are adequate and easier to get.

At a recent auto fair in Changsha, Hunan Province, 40,000 domestically made motor vehicles were sold, 32,000 more than at the Wuhan Fair not long ago, which mainly displayed imported vehicles, the deputy general manager said.

He said that more than 100 motor vehicle manufacturers displayed 285 vehicles of all models at the Changsha Fair, 85 percent of which were new.

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JPRS-CEA-86-051  
30 April 1986

## INDUSTRY

### CIVILIAN AIRCRAFT DISPLAYED IN BEIJING EXHIBITION

OW101352 Beijing XINHUA in English 1055 GMT 10 Apr 86

[Text] Beijing, 10 April (XINHUA)--China's aviation industry produces airplanes whose uses range from passenger transportation to pest control, and this month the country's 20 aircraft plants are showing off their handiwork.

Twenty-three models of 16 types of aircraft are on display at an exhibition which opened here today and runs through 20 April.

"China is now capable of producing a wide variety of planes for multiple uses," an official of the Aviation Ministry, sponsor of the show, said here today. "And we make specialized planes for geological surveys, aerial observation, pest and forest fire control, marine monitoring and rescue, and tree planting."

China has begun exporting some of its smaller civilian planes, the official said.

Among the planes on display is China's largest cargo plane, the Yun-8, which can carry 20 tons of cargo and fly a maximum of at least 5,600 kilometers without stopping for fuel.

Also on display is the Yun-7, a medium- and short-range passenger plane now flying China's domestic air routes. The Yun-7 has a maximum of 52 seats and can fly nonstop at least 1,900 kilometers at speeds of up to 476 kilometers per hour.

As part of the exhibition, the Yun-7, the Yun-8 and three other planes will make demonstration flights over Beijing Airport.

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CSO: 4020/279

INDUSTRY

JIANGXI COPPER PRODUCTION BASE TO INCREASE OUTPUT

OW101431 Beijing XINHUA in English 0822 GMT 10 Apr 86

[Text] Nanchang, 10 Spril (XINHUA)--China's largest copper production base in Jiangxi Province will increase production when a new smelting plant goes into formal operation soon.

The new copper smelting plant is located at Quiqi, about 150 kilometers east of Nanchang, the capital of Jiangxi. It is expected to produce up to 90,000 tons of copper and 360,000 tons of sulfuric acid as well as some gold and silver when the first construction phase is completed.

The giant copper smelter will process all the copper concentrate cut from the six mines at the base into electrorefined copper. Computers will control the major production processes. The major equipment was imported from Japan and Finland.

Three new copper mines started production in 1984, including China's largest copper mine at Dexing near Poyang Lake in northern Jiangxi.

The Dexing copper mine is expected to double its annual output of copper ore to 42,000 tons this year when the second phase of construction is concluded.

Since it started operation 6 years ago, the Jiangxi base has produced about 135,000 tons of copper, 4,100 kilograms of gold, and 197,000 kilograms of silver.

According to the overall state plan, all the construction projects at the copper base will be completed before the year 2000. By then, the base will be able to produce 200,000 tons of copper and 2.9 million tons of sulfide concentrate each year.

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CSO: 4020/279

INDUSTRY

BRIEFS

1985 MINING STATISTICS--Beijing, 5 April (XINHUA)--China had 120,000 collectively- or individually-run mines employing 5 million people at the end of last year, CHINA GEOLOGICAL JOURNAL reported. China now encourages peasants to go in for mining to augment their income and supplement the government effort to develop the mining industry. [Text] [Beijing XINHUA in English 0839 GMT 5 Apr 86 OW] /12232

CSO: 4020/279

POPULATION

XINJIANG ETHNIC MINORITIES MORE SELF-RELIANT

OW090646 Beijing XINHUA in English 0633 GMT 9 Apr 86

[Text] Urumqi, 9 April (XINHUA)--Minority ethnics in Xinjiang used to depend on China's major cities for their clothing and other goods. But now they are becoming self-reliant, said officials here today.

During the past 5 years, the Xinjiang Uygur Autonomous Region has more than doubled its production of commodities used by minority ethnics, the officials said. These products include clothes, shoes, tea pots, and silk products, which last year were valued at more than 140 million yuan.

The autonomous region in China's far northwest is inhabited by 44 minority ethnics groups, including the Uygur, Kazak, Mongolian, Hui, and Uzbek nationalities. The population of the minority ethnics accounts for nearly 60 percent of Xinjiang's total population of 14 million.

They said that the Xinjiang Government has offered preferential treatment for enterprises that produce minority commodities. These include reduction or remission of taxation, low-interest loans, and priority in the supply of raw materials.

China's central government has also spent more than 20 million yuan over the past 5 years for the development of these minority commodities, said the officials.

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CSO: 4020/278

## POPULATION

### PAPER RUNS ARTICLES ON FAMILY ROLES

OW111303 Beijing XINHUA in English 1145 GMT 11 Apr 86

[Text] Beijing, 11 April (XINHUA)--"What kind of roles should husbands and wives play in the family?" is the theme of a series of articles carried in the newspaper, CHINA'S WOMEN. Since 13 January, it has carried 38 articles on this issue.

A signed article by a male reader expressed the view that wives should wait upon their husbands, as has been the case since ancient times. He said he expected his wife to do all she could to help him in his career.

Another male contributor complained that his wife only cares for household chores and has no interest in study or a career.

"I often ask myself if she is my wife or my housemaid," he wrote.

Female contributors also differ in their opinions about the roles that husbands should play.

One wrote that males are the main force in social construction; therefore, husbands deserve love and care from their wives.

Another article expressed resentment over male chauvinism. It was only in the old days when women were uneducated housewives that they were supposed to unconditionally obey their husbands, she said.

"Grudging obedience will only make us resent our husbands and make us more eager for success in our own careers and independence," she said.

So far, more than 200 such articles have found their way to the Editorial Department of the newspaper, according to Xie Lihua, the editor in charge of this series.

Most of the articles raise the problem of whether the wife should make sacrifices for her husband's success when both have careers.

Some male contributors said they want tender wives instead of competitors in the family, while some females said they are no longer appendages of their husbands and want to have equal careers.

The trend is also illustrated by a survey of 997 Beijing residents, which was conducted by the magazine in the latter half of 1985.

To the question, "What is your chief concern about your married life?" 12.5 percent of those surveyed answered: "Time for spare-time study." Some 9.7 percent answered: "Success in my career." These answers ranked 5th and 6th among 14 choices available.

The increasing numbers of women in the work force and better opportunities for education for women are fingered as the main causes of the change of traditional relations between husband and wife.

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CSO: 4020/278

POPULATION

SHANGHAI INSTITUTE HELPS SOLVE SEX PROBLEMS

OW291132 Beijing XINHUA in English 0829 GMT 29 Mar 86

[Text] Shanghai, 29 March (XINHUA)--Couples here with sexual or fertility problems can dial 380734 for help.

Those who do so find they are speaking to the Shanghai Municipal Institute for Family Planning. The institute is attached to the International Peace Hospital for the protection of mothers and children.

The hospital was founded by the late Soong Ching Ling, former honorary president of China.

One night last year a worker who could not bear a child after 2 years of marriage dialed the number. Two days later she and her husband were given physiological examinations and invited to attend a lecture on sterility.

The lecture provides couples married more than 2 years with information about conception and problems and treatment of sterility.

Within months of the lecture, following treatment of what the couple learned was the husband's temporary sexual disfunction, the women became pregnant.

Chen Huixian, director of the institute, said about half of those who come for help conceiving children have no physiological problems. "Most are victims of ignorance or psychological difficulties," he said.

In addition to helping those wanting to conceive a child, the institute provides family planning and other sexual counseling, including advice on genetic patterns and information for adolescents and older people, Chen said.

It offers help by mail as well as in person and over the telephone.

More than 20,000 people have come to the institute for personnel consultations with doctors over the last 5 years, according to Chen.

Workers at the institute observe strict confidentiality, Chen said. To protect the privacy of patients, they do not use institute envelopes for letters to them.

And, as was true of the worker who telephoned and received help, people who call do not need to identify themselves.

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POPULATION

FAMILY PLANNING WORKERS URGED TO STUDY PSYCHOLOGY

OWO91634 Beijing XINHUA in English 1539 GMT 9 Apr 86

[Text] Beijing, 9 April (XINHUA)--The latest issue of HEALTH NEWS calls on people engaged in family planning publicity to improve their work by learning psychology.

Generally speaking, the father is inclined to want a boy to inherit his business, while the mother wants a girl who is as gentle and kindhearted as herself, according to psychologists.

Influenced by China's modernization drive, young couples do not want to have many children for fear that they might interfere with their study, work, and cultural and material lives.

Wrapped up in traditional ideas, such as "more children will bring more happiness" and "the worst misfortune is to have no son," many grandparents want their sons and daughters to have more children.

The paper noted that people with higher educational background tend to have less children.

A recent survey in Beijing shows that two-thirds of the young people in the city proper want only one or even no child at all; and less than one-third want to have two or more children.

But it is the other way round in the city suburbs, where only one quarter wish to have only one child at the most.

Compared with the Han Chinese, who make up about 94 percent of the nation's population, people of ethnic minority groups are more inclined to have big families as they want to increase their populations as quickly as possible, the journal says.

One example is Sichuan, China's most populous province, where 65.9 percent of the Han people want to have two children, while the figure for local Tibetans is 82.9 percent.

More than 75 percent of the Yi people--another ethnic minority group--want to have at least three children, the journal adds.

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CSO: 4020/278

## POPULATION

JPRS-CEA-86-051  
30 April 1986

### BRIEFS

SICHUAN FAMILY PLANNING COLLEGE--Chengdu, 31 March (XINHUA)--The Sichuan College of Family Planning has been opened with approval of the State Education Commission, according to officials in this capital of the province today. The college is one of the state Family Planning Commission's institutions of higher learning set up to train government officials for China's family planning program. The college will enroll its students after examination, mainly from Sichuan, Yunnan, and Guizhou Provinces in China's underdeveloped southwest. The college plans to enroll its first 100 students this year. After completing 2-year courses, they will be assigned to their former units for family planning work. The college will teach demographics, statistics, the techniques of family planning, and other courses. The college will also conduct short-period training courses. The officials said the college expects to train 1,000 workers in this field by 1990. [Text] [Beijing XINHUA in English 1908 GMT 31 Mar 86 OW] /12232

BEIJING FAMILY PLANNING WORK--According to statistics compiled by the Beijing Municipal Family Planning Committee, the municipality's planned birth rate rose from 83.96 percent in 1979 to 94.18 percent in 1985. The natural population growth rate in 1984 and 1985 maintained a level below 10 per thousand. [Excerpt] [Beijing BEIJINGRIBAO in Chinese 14 Mar 86 p 1 SK] /12232

CSO: 4006/928

TRANSPORTATION

MODERNIZATION OF CHINESE CIVIL AVIATION DISCUSSED

Hong Kong CHING-CHI TAO-PAO [ECONOMIC REPORTER] in Chinese No 1-2, 1 Jan 86  
pp 65-66

[Article by Xiao Yin [5135 7299]: "Chinese Civil Aviation Equipment Becomes Modernized"]

[Text] As a part of the efforts to provide Chinese civil aviation with modern equipment, since last year large numbers of airplanes have been bought overseas, complete, advanced navigation equipment has been brought in, several airports have been expanded or newly built, and two new international routes and eight domestic routes have been opened up. These startling achievements prove that Chinese civil aviation has made encouraging progress in the course of the accelerated modernization of its equipment.

Large Number of Foreign Planes Bought

According to figures provided by the Chinese Bureau of Civil Aviation, in 1985 China ordered 58 foreign passenger planes, with a total of 7,000 seats. These large passenger planes include 22 Boeing 767s, 747s, and 737s ordered from the American Boeing Corp., ten BAe146 passenger planes ordered from British Aerospace and eight 360s from Short Bros. Ltd., 3 wide-bodied A310-200s ordered from the European Airbus Industrie, and 3 MD82s. Of these, the Shorts 360 passenger planes, imported from Britain, and the A310 "Airbus," imported from Airbus Industrie, started flying Chinese civil aviation scheduled flights on 1 August. The other will also continue to arrive.

It has been rare in the more than 30 years since the founding of the country for Chinese civil aviation to import large numbers of new passenger planes within 1 year.

In the past few years, the Chinese national economy has been growing steadily. Following the implementation of the policy of opening up to the outside, international exchanges have expanded continually. It was increasingly difficult for Chinese civil aviation to cope with this situation, as it was primarily equipped with Soviet-made An-24s and British-made Tridents from the 1950's and 1960's.

China's large purchases of airplanes is one of the measures taken in response to this situation. At the same time, Chinese civil aviation has announced that it will carry out reform of its system, setting up regional airlines, such as the China Aviation Corp., the Eastern China Aviation Corp., the Southern China Aviation Corp., and the Southwest China Aviation Corp. Currently these regional airlines are in the midst of intensive preparation, and as soon as they are established, they will speed up replacement of equipment. The Shanghai Civil Aviation Bureau decided last year to buy from the United States 5 Boeing 707 passenger planes, and the Lanzhou Civil Aviation Bureau recently ordered 4 Soviet-made Tu-154M medium- and long-distance large passenger planes. The soon-to-be established Southwest Aviation Corp. has also ordered from the United States 4 Boeing 737-300 passenger planes. In this way, within a year the number of planes flying scheduled flights will more than double compared to previous years, which will greatly lessen the current shortage of air transport.

#### Expanded and New Airports, Opening International Routes

In order to accommodate the takeoff and landing of large passenger planes, the expansion and building of airports has also achieved great results. The expanded and newly built airports in China are primarily concentrated in 14 open cities along the coast. At present, of the 14 open cities, the original civilian airports in Guangzhou, Shanghai, Tianjin, and Fuzhou have basically been able to meet the needs of passenger and cargo traffic; the airports at Dalian and Zhanjiang, where originally only small planes could take off and land, have been rebuilt. At Dalian's Zhoushuizi Airport, 747s and other large aircraft can takeoff and land; Zhanjiang Airport can also accommodate Boeing 737s and other large aircraft. The other open cities, which originally did not have airports, are in the process of speedily constructing airports. Beihai, the open city located at China's southernmost tip, started to construct the Beihai Airport in April of last year; when completed it will be able to accommodate Boeing 737s and other airplanes. Wenzhou City, in the south of Zhejiang, is currently constructing a medium-sized airport, which should be open for flights by the end of this year. In order to meet the needs of opening up to the outside, a few cities which previously were not open to civil aviation have made appropriate expansions in existing airports so that they can be jointly used; they are one by one opening up for outside use. For example, flights started at the Ningbo and Yantai airports in the second half of the year before last; flights started in April last year at the Qinhuangdao and Lianyungang airports; the Liuting Airport in Qingdao is currently being expanded.

In the four SEZ's, Xiamen already has a large airport, preparations are under-way for expansion of the Shantou Airport, the helicopter airport is already in use at Zhuhai, and Shenzhen plans to build a medium-sized airport at Huangtian, about 30 km from the city center.

While airports are being expanded and built, in June and July of last year CAAC opened two international routes, Beijing-Guangzhou-Singapore and Beijing-Kuwait; by now CAAC already has 25 international routes.

## Replacing Land Navigation Equipment

Last year, the Chinese Civil Aviation Bureau also achieved a great deal in replacing land navigation equipment and computerized ticket-booking. At present, Chinese civil aviation has ordered from Japan and the United States four sets of airport instrument-landing equipment; together with two domestically manufactured sets, they will be installed in the airports in Dalian (bi-directional), Wuhan, Haikou, Zhanjiang, and Beihai. China currently has more than 70 civilian airports, about half of which will have installed instrument-landing equipment by 1986. Within the next few years, Chinese civil aviation will also import a number of complete sets of navigation equipment, allowing main flight paths and airports to be covered by secondary radar, 360-degree signals and distance-estimating equipment, gradually replacing the navigation systems in every airport.

As early as 1983, Chinese civil aviation rented a computer system from the International Aviation Communications Association, computerizing ticket-booking on international routes. So that it could own its own computer system, in May of last year Chinese civil aviation ordered from the Sperry Corp. in the United States a mainframe computer and Sperry's SAS aviation management software system, worth more than \$9 million. The Chinese Civil Aviation Bureau announced that in 1986, it will start to use its own computer system to take care of such services as passenger ticket-booking, consultancy, and taking bookings for hotels, enabling its own ticket-sales system to take another step toward modernization.

## Develop the Civil Aviation Industry

At the same time that China is importing foreign advanced passenger planes, navigation equipment, and computer systems, it is still paying very great attention to developing its own civil aviation industry. Vice Premier Li Peng of the State Council stressed at a meeting last year that a country as large as China cannot solely rely on purchased airplanes to develop its civil aviation; thinking in terms of long-range strategy, we must certainly encourage the development of Chinese-made airplanes.

At present, the level of development of Chinese civilian airplanes has a definite foundation and a fairly strong production capacity; almost 400 transport and passenger planes and helicopters, such as Yun-5, Yun-7, Yun-8, Yun-10, and Yun-12, are already in production and use; there is also a series of products such as the superlight "Bee" and "Dragonfly" aircraft. Among the planes that China will be developing and producing are a 50-seat branch-route airplane and a main-route large passenger and cargo plane. The 48-seat "Yun-7" passenger plane was turned over the year before last for use by civil aviation departments. In May of last year, the medium-sized "Yun-8" cargo plane completed test flights at high altitudes, high and low temperatures, and high landing sites, and in various conditions--the "three engine" continued takeoff experiment. "Three engine" continued takeoff is, when the plane is preparing to take off, the most important of the four engines suddenly stops and the blades are feathered, but the plane

is able to continue takeoff despite the danger from the enormous deflection force produced by the aircraft. The goal of this test flight is to prove whether the plane can safely take off despite an accident to one of its main engines. Flight testing has shown that "Yun-8" meets all the criteria. The "Yun-8" is currently in series production and is playing a role in transporting goods.

As China is developing its own civil aviation industry, it is paying attention to importing advanced technology from overseas and working in cooperation with foreign countries. The "Cooperative Production of MD-82 and Derived Aircraft and Joint Development of Technologically Advanced Branch-Route Aircraft" agreement signed by the Shanghai Aviation Industry Corp., the China Aviation Equipment Corporation, and the American McDonnell-Douglas Corp. has already gone into effect. According to the agreement, the American side will turn over to Shanghai advanced technology, providing the sole rights to produce and market the MD-82 in China, thus supplying the Shanghai Aviation Industry Corp.'s production of MD-82 planes, on the basis that it purchase parts.

The Hong Kong Huanan Aircraft Engineering Corp. has been commissioned to discuss with American businessmen the overall improvement of the Chinese-developed "Yun-7."

The growth of airplane manufacturing in China will definitely spur the modernization of Chinese civil aviation.

Chinese civil aviation has further strengthened the standardization of civil aviation service and management, and has followed this by formulating eight relevant regulations. Due to the effective measures taken, the total cargo turnover in Chinese civil aviation has been quickly improved. From 1983 to 1984, it grew 40 percent, and in the first half of 1985 it grew 54.6 percent over the same period in the previous year.

Officials in the Chinese Civil Aviation Bureau state that, even so, Chinese civil aviation is still very far from being able to meet the needs of the four modernizations. From now on, Chinese civil aviation will further expand many areas of cooperation with foreign countries, in order to accelerate the modernization of its equipment.

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30 April 1986

## TRANSPORTATION

## BRIEFS

SHAYUCHONG 5,000-TON WHARF COMPLETED--Shayuchong 5,000-ton wharf in Dapeng Bay, Baoan County, has been recently completed, passed an inspection, and was accepted. In accordance with the standard of evaluation of quality of water transport projects formulated by the Ministry of Communications, the quality of this project has been assessed as excellent. Shayuchong wharf includes a sloping breakwater, 317 meters long; a 5,000-ton wharf; a 2,000-ton wharf; a warehouse of some 9,300 square meters, roads; water pipes; and drainage tubes. The pattern of the whole project is rational. Shayuchong wharf was built with funds raised by Baoan County itself in order to exploit the resources in the eastern part of the old liberated area and to develop the whole county's economy. It took only 1 and 1/2 years to complete the whole project, from preparatory work, design, and construction to completion, inspection and acceptance. At present, units concerned are stepping up the construction of the ancillary projects of Shayuchong wharf and are striving to put this wharf into operation at an early date. [Text] [Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 3 Apr 86 HK] /12712

CSO: 4006/904



CHINESE MEDIA ON FOREIGN ECONOMIC AFFAIRS

CHANGES IN OWNERSHIP FORMS, MANAGEMENT METHODS IN USSR

Beijing SHIJIE JINGJI [WORLD ECONOMY] in Chinese No 10, 10 Oct 85 pp 35-40, 18

[Article by Lin Shuiyuan [2651 3055 3293], World Economics and Politics Institute, Chinese Academy of Social Sciences]

[Abstract] Generally the economic reform in the Soviet Union and eastern European countries includes broader enterprise authority; however, the expansion is very limited apart from the corresponding adjustments of the ownership forms and management methods. In this way, an enterprise is not likely to be an independent producer of goods. Even in the Soviet Union with its very cautious attitude toward reform, some changes have occurred in recent years as to ownership forms and management methods both in theory and practice.

Some Soviet economists theorize the necessity of separation between ownership and management, potentialities to be exploited in the collective ownership system, and the needs of the developing private economy. As a result, the contract system has been applied in only about 10 percent of Soviet enterprises and farms as recently as 1982. The system was given trial runs in the service sector as late as 1984. Fruit and truck farms were operated in 1982 by 5.2 and 5.5 million households, respectively. This is an expansion of the collective ownership economy. Secondary trade accounted for more than one-fourth of farm produce in 1983, including one-fifth of cattle, hog and goats, as well as one-third of dairy cows.

Restrained by traditional Soviet concepts, these reforms are very slow paced. Private ownership only covers consumer goods, not means of production. All these factors exert a dampening effect on the economic reform although Gorbachev is promoting the spread of the enterprise contract system while still stressing the traditional streamlining of management ranks. Working within the generally inefficient system, his task is a difficult one.

10424/12951  
CSO: 4011/24

CHINESE MEDIA ON FOREIGN ECONOMIC AFFAIRS

CHANGES IN THE HUNGARIAN WAGE ADJUSTMENT SYSTEM

Shanghai SHIJIE JINGJI WENHUI [WORLD ECONOMY FORUM] in Chinese No 6, 5 Dec 85  
pp 28-30, 63

[Article by Li Jun [2621 1498]]

[Abstract] Since 1979 Hungary has enforced measures aimed at boosting exports, reducing imports, and stringently restricting domestic consumption. Thus, a series of wage adjustments has been the centerpiece in restoring a balanced national economy. The state controls the gross wage in the nation as wage increases are coordinated with economic growth. A steep progressive tax rate was applied for wage increases exceeding a certain range. This policy, however, only emphasizes the distribution function of wages by neglecting their stimulating function. As a result, gains in enterprise efficiency are hampered while the workers' initiative and market functions are curbed. The forthcoming reform of this wage system was foretold in the early 1980s. In 1985, this low-growth, low-consumption policy was modified mainly to exploit the stimulating function of the wage system. High profit enterprises are allowed to pay higher wages while low-efficiency enterprises are denied high wages. In other words, income gaps are widened either in enterprises or among workers. Multiple wage adjustment systems are used to meet different situations, and an enterprise's capability of paying taxes is the guide to its wage levels. No progressive tax rates are applied to high-growth enterprises, and the anti-inflationary criterion regulates wages and bonuses. There is always a material base for any increase in workers' income. In short, the new wage adjustment system encourages growth, savings, efficiency and competition. This is the principle in theory; only time can tell the results.

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